

LABOUR PROBLEMS IN THE ECONOMIC DEVELOPMENT

OF URBAN CHINA

1949-1957

BY

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### Abstract

This thesis is concerned with China's urban employment experience between 1949 and 1957. In Chapter Two we attempt to quantify this experience by a critical examination of existing indicators of employment change for all urban areas and by the analysis of new data for individual cities. In particular we have attempted to construct a detailed picture of the demand and supply of non-agricultural labour in the city of Shanghai.

The most striking feature of the data presented in Chapter Two is the evidence of the growth of open unemployment and also of very large employment fluctuations. In Chapter Three we analyse the long run trends in urban employment change, and in Chapter Four, we look closely at the size of employment fluctuations and show how these have been related both to unemployment and over-manning.

Chapters One to Four constitute an analysis of the environment relevant to the final chapters in which we trace chronologically, the development of Chinese thinking about urban employment and the evolution of the administrative machinery designed to control the urban labour market.

In Chapters Five and Six we show that during the period analysed, China's urban employment experience led to a

complete re-orientation of employment policy and a transformation in the duties and powers of the institutions responsible for employment control.



LABOUR PROBLEMS IN THE ECONOMIC DEVELOPMENT OF URBAN  
CHINA

Contents

Abstract

Introduction

Key to abbreviations used

Concise chronology

<u>Chapter One.</u>	The Urban economic environment
<u>Chapter Two.</u>	The growth and structure of the urban labour force
<u>Chapter Three.</u>	The problem of structural unemployment
<u>Chapter Four.</u>	Employment control in a context of fluctuations
<u>Chapter Five.</u>	Employment policy and administration: Part I 1949-1955
<u>Chapter Six.</u>	Employment policy and administration: Part II 1956-1957

Conclusions.

Bibliography.

Abbreviations used (for full details see bibliography)\*

Journals

<u>CCCP</u>	Ching Chi Chou Pao
<u>CHCC</u>	Chi Hua Ching Chi
<u>HH</u>	Hsüeh Hsi
<u>HHPYK</u>	Hsin Hua Pan Yüeh K'an
<u>HHYP</u>	Hsin Hua Yüeh Pao
<u>KSC</u>	Kung Shang Chieh
<u>LT</u>	Lao Tung
<u>TCKT</u>	T'ung Chi Kung Tso

Newspapers

<u>CFJP</u>	Chieh Fang Jih Pao
<u>HWP</u>	Hsin Wen Pao
<u>JMJP</u>	Jen Min Jih Pao
<u>NCNA</u>	New China News Agency
<u>NFJP</u>	Nan Fang Jih Pao
<u>SCMP</u>	Survey of the China Mainland Press
<u>TKP</u>	Ta Kung Pao
<u>WHP</u>	Wen Hui Pao

\*Chinese terms have been romanized throughout in accordance with the modified Wade-Giles system used by C.H.Fenn in, The Five Thousand Dictionary.

Concise Chronology

1949	October	The Central People's Government established.
1950	March	The unification of the fiscal system.
	June	The Korean war begins; the private sector is revived.
	November	China enters the Korean war.
1951	August	Labour market begins to tighten.
	September	Shanghai reports full capacity in many sectors.
	October	National reports of full capacity limits being reached and labour market loss of control.
	November	The <u>San Fan</u> begins (a movement directed against waste and corruption in the Bureaucracy).
1952	Feb-May	The <u>Wu Fan</u> . (Movement directed against the power of the private sector in urban areas).
	June-Sept.	Measures to revive the urban economy after the collapse in the <u>Wu Fan</u> .

1953	January	The First Five Year Plan begins.
	July	Korean armistice.
1954	February	New round of measures to control the private sector and speed urban socialisation.
1955	Spring	Campaign to reduce the size of the urban population. ( <u>Hsia Fang</u> ).
	July	Major purge begins.
	October	Publication of Mao's call for accelerated agricultural co-operativisation.
	December to	The co-operativisation of agriculture.
	Spring 1956	
1956	January	The socialisation of urban industry, handicrafts and commerce; publication of the Twelve Year Plan for Agriculture.
	June	The Wage Reform.
1957	February	Mao speaks on "Contradictions".
	June	Official beginning of rectification campaign to achieve more responsiveness in Party, Bureaucracy and People.

August	New movement to encourage participation in physical work and send people to the country ( <u>Hsia Fang</u> ).
October	Second Five Year Plan discussed.
December	The First Five Year Plan ends; the eve of the Great Leap Forward.

Glossary

- an shu Literally: to settle. Settled persons are either persons who have been found employment by the Labour Bureau; or found employment by themselves; or been sent to the countryside.
- hsia fang Literally: sent down. This was the name given to a series of movements in 1955, 1957 and 1958 whose purposes included the reduction of the urban population and the size of the bureaucracy.
- hu k'ou teng chi Population registration.
- pa ch'ih chih Literally: (job) monopoly system. A system of employment control which left control in the hands of job brokers. Particularly prevalent in the construction and transport sectors and also known as the pao kung chih, pa t'ou chih etc.
- san fan Literally: the three antis. The name given to a campaign in 1951-1952, to eliminate waste and corruption in administration and the public sector.

Glossary (Cont'd)

tiao p'ei fan ch'ou Literally: sphere of assignment.  
that is, the range of employment controlled  
directly by the Labour Bureaux.

t'ung yi tiao p'ei Unified assignment of labour.

wu fan Literally: the five antis. The name given  
to a political movement in 1952 designed  
to destroy the power of the urban capitalist  
class.

The positive functions of the city cannot be performed without creating new institutional arrangements, capable of coping with the vast energies modern man now commands: arrangements just as bold as those that originally transformed the overgrown village and its stronghold into the nucleated, highly organized city.

Lewis Mumford

The City in History



## Introduction

This thesis is a study of urban employment problems set in the context of growth and fluctuation in the urban economy between 1949 and 1957. It has three main objectives: to explore the statistical materials available for the measurement of urban employment change; to analyse the basic character of urban employment problems; and to trace the evolution of both Chinese thinking about employment and the institutions of labour control which had to reflect that thinking in day-to-day administration.

The study is concentrated on the period before 1958 for two reasons. First, after that year data become increasingly scarce and their meaning increasingly obscure. Analysis which attempts to span pre-and post-1958 periods therefore involves discontinuities of method that are unsatisfactory to the author and probably unconvincing to the reader. More important, the years before 1958 constitute a period that is significant as well as convenient. During these years the Chinese Communists extended control over the economy by means of a series of radical institutional transformations; so that, although the economic objectives of the Government remained basically stable, an astonishing variety of

techniques of economic control were experimented with in pursuit of their achievement. During this decade the Government also gained some degree of understanding of the whole range of economic problems with which they were faced, and in attempting to solve them, moved through cycles of policies each including a point of extremism more radical than anything in the cycle that preceded it. The Great Leap Forward marked the high point of this series and it is difficult to believe that the tidal wave of utopian optimism and institutional reform which swept through China in the summer of 1958 will ever be exceeded.

The problems of employment policy and administration formed only a part of the economic pre-occupations of the Government during these years; and for most of the period, employment considerations were only secondary to other more basic objectives. The achievement of these objectives however, proved more dependent on correct labour policies than the Chinese had expected. At the peaks and troughs of activity one can generally see the operations of the labour market with exceptional clarity, and one can see the way in which employment considerations assumed critical importance. For this reason we have tried to analyse labour issues in the context of the

overall management of the economy.

In putting employment policy in the context of overall economic management, particular emphasis has been laid on short term management and the actual workings of labour administration. Economists have spent much time analysing structural change and the development of economies over long periods of time, and it is proper that they should have done so; but there is a danger that we shall lose sight of the fact that in real life, the planners and administrators of structural change are profoundly affected by their working environment of unpredictable external shocks; administrative limitations; and perpetually shifting political constraints. Anyone who has studied China's economic administration in detail becomes aware that even at the highest levels, a great deal of attention is concentrated on the problems of year to year, quarter to quarter and at times, even day to day management. Studying the problems of planning and administration from this perspective, enables one to understand something of the complex character of the relationships between different aspects of Chinese economic policy and to link these changes with the wider, political landscape. One

can also see the way in which cumulative experience has sometimes lead to an almost spontaneous generation of radical new policies; and actions that might have been interpreted in terms of ideological dogmatism or the whims<sup>of</sup> a dictator, suddenly appear as the outcome of logical, but scarcely visible processes.

The materials which we have used are partly materials familiar to scholars who <sup>have</sup> worked on Chinese labour problems; the bulk of our data, however, have been drawn from Chinese materials that hitherto have not been subject to any sy<sup>s</sup>tematic analysis, and for the most part have not even been looked at. Two sources have been particularly important: the Journal of the Ministry of Labour, Lao Tung (Labour) 1950-1957; and the four Shanghai daily newspapers which together with the Shanghai journal Ching Chi Chou Pao (The Economic Weekly) 1950-1954, have enabled us to build up a detailed picture of employment change and economic administration in Shanghai. This picture has been used to supplement and where possible improve upon the analysis of the national data. We have also used the files of the Union Research Institute (Hong Kong) and the holdings of the **library** of Congress to obtain local newspaper material

for other cities, in particular Canton and the larger Manchurian cities.

In our view these local data are in many ways more satisfactory than the national data. First, because they are often available in detail, which enables us to answer more complex and economically more interesting questions than is possible with national statistics. Second, because they facilitate the illustration of significant local variations that are concealed in the national aggregates, and third, because there are sound reasons for thinking that local administrators were able to achieve a degree of accuracy in statistical work higher than that possible for the State Statistical Bureau at the national level. This is particularly the case for Shanghai, where the city administrators had experience of data collection and analysis acquired over a period stretching back into the early twentieth century.

The availability of materials has not however dictated the scope of our analysis. The cities are the centre of our attention because the urban-rural dichotomy is indispensable for labour market analysis and because the municipality as a unit of economic planning and

administration has grown in importance through the years. One other attraction of the study of individual cities is that through them it is sometimes possible to bridge the pre-and post 1949 periods. National statistics for the pre-war period have been described by one authority as guesswork, and this is unfortunate for those who consider that evaluation of the post 1949 economic performance must depend in some degree on an understanding of the pre-war period. The data for individual cities is often better than guesswork. The pre-war data for Shanghai for example, while they often leave much to be desired, are certainly sufficient for us to draw some important and at times unexpected comparisons with the period 1949-1957.

Chapter I consists of a sketch of the urban economic environment during the 1950's.

Chapter II explores the statistical dimensions of urban employment change and Chapters III and IV use this data for analysis of the urban employment problem. In the last two Chapters, we see the conclusions of the earlier Chapters as a setting for an historical analysis of the evolution of employment policy and administration.

## CHAPTER ONE

### THE URBAN ECONOMIC ENVIROMENT

#### The Urban economy before 1949

When the transfer of power took place in 1949 the urban economy was in a state of collapse. The population of the cities was swollen by refugees; industrial production and most other economic activities were far below pre-war peaks; unemployment was high and inflation and food shortages which were evident, reflected both a collapse of administration and major structural dislocations in production caused by almost twenty years of continuous warfare<sup>(1)</sup>.

(1) A graphic account of the economic problems of the takeover in 1949 is Chen Yun, "Conquer financial difficulties; achieve price stability", Chieh Fang Jih Pao (Liberation Daily) (Shanghai) 5.12.1949 hereafter CFJP; also: "The work report of the East China Military Government", CFJP, 4.2.50.

Before 1949 the location, pace and character of urban development in modern China had been determined predominantly by external forces. The growth of population and economic activity in the cities of the Southern and Eastern seaboard had been stimulated by the Western Powers who, in the nineteenth and early twentieth century, had established the Treaty Port system. After 1931 the growth and industrialization of the Manchurian cities had been accelerated by the Japanese. As a result of these stimuli, the urban population in the pre-communist period was growing at moderate rates, and by 1949 the urban population was more than 58,000,000, or 11% of the total population<sup>(2)</sup>. Thus although the rural population remained overwhelmingly predominant, in absolute terms China already had an urban population of enormous size.

(2) Shanghai, for example, grew at 4.8% between 1890 and 1930; Tientsin at 4.2% between 1900 and 1935, see: Rhoads Murphy, Shanghai: Key to Modern China, (Harvard, 1953) ch.2, and H.O.Kung, "The growth of population of the six large Chinese Cities", in: The Chinese Economic Journal, March 1937, pp.301-314. See Table 22 in ch.2 for additional pre-war population data.



The economic base which supported this population was however both slight and structurally defective; for although industrial output had been growing at an average rate of 5.5% since before the First World War, industry remained insignificant in absolute terms and highly dependent on external economic relations for its continued and efficient functioning. Per capita output of such commodities as steel, electricity and cotton are quantitative indicators that confirm the smallness of the industrial base. These all suggest that levels of output in China were not only low by comparison with those of advanced countries, but even by comparison with the Soviet Union in 1928<sup>(3)</sup>.

(3) The rate of growth of output is an estimate by John K. Chang, "Industrial development of mainland China 1912-1949", The Journal of Economic History, Vol. XXVII, March 1967. A useful survey of the absolute size of the Chinese industrial base in 1949 is in: W.W. Rostow, The Prospects for Communist China, (M.I.T., 1954) ch. 12.

The most accessible collection of data on the pre-1949 economy is: Yen Chung P'ing, Chung Kuo Chin Tai Ching Chi Shih T'ung Chi Tzu Liao Hsuan Chi, (Selected

Industrial backwardness was also reflected in the pre-1949 urban employment structure. The modern industrial sector accounted for about one million persons which was probably less than 5% of total employment<sup>(4)</sup>. The rest of the urban work force was engaged in modern sector services or traditional handicrafts, service, trading and transportation sectors. We also know that a high proportion of the population participated in some form of gainful occupation; that there were extreme variations in hours actually worked; and that unemployment was a serious social and economic

(3) (Cont'd)

Statistics of China's Modern Economic History), (Peking, 1955). A survey of Chinese economic development before 1949 is: Alexander Eckstein, "The economic heritage", in Alexander Eckstein, Walter Galenson and Ta-Chung Liu, Economics Trends in Communist China, (Edinburgh, 1968).

(4) See Table 21 and discussion in ch.2 and Table 29 in ch.3.

problem<sup>(5)</sup>.

Hence, the economic base on which the new cities of socialist China were to be built was clearly inadequate for the requirements of the new leadership. For this should be emphasized: although the rural roots of the Chinese Communist Party were too deep for it ever to share the classical Marxist contempt for the "idiocy" of rural life", in 1949 the Party shifted its centre of interest decisively to the urban areas, and expected that these would provide the material, technological and organisational means not only for their own economic and social transformation, but for the socialisation of the countryside also. Thus whereas in Western Europe and America the urbanisation of society

(5) The quality of pre-war materials on the urban work force is not high, but some usable information is available. See for example the Chinese Year Book, particularly those for 1931, 1936, and 1938. Statistical information on the Shanghai labour force in the 1930's is contained in: Statistics of Shanghai, (Shanghai 1933) and a characteristic survey article on Shanghai labour topics is: Fang Fu An, "Shanghai Labour", Parts 1 and 2, Chinese Economic Journal, August and September, 1930.

had been accomplished by the bourgeoisie, in China (as in Russia), this work was to become part of the historic mission of the proletariat<sup>(6)</sup>.

Economic growth and fluctuation 1949-1957

Let us now consider some of the main indicators of economic growth and fluctuation in the urban economy in our period. Tables I to 10 and diagrams I to 4 present data on population, industrial output, employment, retail sales and the construction and private industrial sectors. (See pages 56-62).

All the indicators suggest rapid development. Industrial production grew at rates between 20.4% p.a. and 23.8% p.a. (according to one's choice of index) and industrial employment grew at 12.6% p.a. Population also increased rapidly in this period averaging 7.1% p.a., so that by 1957, the urban population had increased to 15%

(6) Karl Marx and Frederick Engels, Manifesto of the Communist Party in, Selected Works Vol.1. page 38 (Moscow, 1962) and Hua Kang, "A discussion of the law of the development of relations between town and country", Hsin Hua Chou Pao (New China Weekly) Vol.4, No.6, 14.1.1950, pp. 8-9.

of total population and included 14 cities with more than a million inhabitants, a greater number than in any other country. The absolute size of the industrial economy had also grown significantly although industrial employment was still small in relation to total population and work force<sup>(7)</sup>.

The other interesting feature of these tables is the fluctuations which they reveal. Fluctuations are apparent in the aggregate industrial production and employment data, but a degree of a sectoral and geographical disaggregation adds extremely interesting dimensions to the picture. The crucial sectoral data are those for private industrial output and total construction activity (using employment data as an indicator of the latter). These are shown in tables 4 and 9. A geographical disaggregation is provided by total and private industrial output data for Shanghai in Tables 2 and 6.

Several conclusions can be drawn from these data taken together with additional qualitative evidence.

(7) See Table 29 Chapter 3.

First, the peaks of activity were 1951, 1953 and 1956, while the accelerations which lead to these peaks began in mid-1950, Autumn 1952 and Spring 1956<sup>(8)</sup>. Second, the private sector and the construction industry played important roles in these fluctuations. For not only did activity in these sectors usually fluctuate in the same direction as the aggregate data, but the intensity of fluctuation tended to be much greater.

The peaks of activity and the relationship of them to <sup>SECTORAL</sup> ~~structural~~ fluctuations can be identified not only by statistical indicators, but also by abundant qualitative

(8) The upturn in Autumn 1950 followed the collapse of the urban economy in the spring of that year under the impact of draconian fiscal measures introduced to stabilise prices. See, Ch'ien Hua et. al. Chapter 2. Also, "Shanghai's industry's stabilisation, recovery and development", Ching Chi Chou Pao (The Economic Weekly) Ser.13, No.23, 6.12.1951, hereafter CCCP. The upturn in 1952 followed a second economic crisis in the urban areas associated with the "Five Antis Campaign" (a political movement directed against the power of the capitalist class). The 1956 upturn was related both to the stimulation of rural demand following the co-operativisation movement and the massive construction plan for 1956.

evidence of bottlenecks, and by the prevalence of certain types of economic behaviour which tended to be in evidence whenever economic activity was at high levels. Basically this latter may be described as behaviour prejudicial to the maintenance of control. We shall examine the implications of this in some detail shortly; the main point is that at the peaks, planners control over prices and resource use in particular in the labour market and private sectors - was weakened, and that the desire to reassert control over the economy during the boom periods reinforced the importance of purely physical constraints on activity as a motive for dampening the level of activity. In practice this involved the reimposition of strict controls over the private and traditional sector - almost irrespective of the effects of this on total output and employment (9).

(9) In late 1951 full capacity limits were being reported as reached in a wide variety of industrial sectors. See "Vice Premier Chen Yun reports on economic and financial work", CFJP 26.10.1951 and "In the last year commodity prices in our country have been basically stable",

(9) (Cont'd)

CFJP 24.9.1951. In 1953, the pressure on the construction sector was the main destabilising factor and this lead to an early and drastic revision of the annual plan. See, "The East China Bureau of the Chinese Communist Party calls a meeting to discuss industrial production policy for the whole area", CFJP 14.3.1953. For 1956 the best account is Po I Po, "The out-turns of the 1956 National economic plan and the draft plan for 1957", Hsin Hua Pan Yüeh K'an (New China Semi-Monthly) 1957 No.14 pp. 28-39, hereafter HHPYK. The behaviour of the private sector at the peaks is discussed in note 22 and the labour market issues in Chapters 4, 5 and 6.



In the context of this study the most important characteristic of the peaks was the behaviour of the labour market; and what was remarkable about this was the periodic labour shortages which extended a long way down the skill and across the industry structure of the urban labour market. These shortages (which occurred in the context of growing structural unemployment) were directly responsible for the loss of control over hiring and wages.

The significance of urban fluctuations for a whole range of economic management problems is so great that we must pause for a moment to consider why, during the 1950's, they were so severe. Three reasons stand out. First, there was the dependence of the urban economy on a fluctuating rural sector which supplied it with important inputs and was also a source of demand particularly for the output of the small scale urban sector. Dependence of this type is common in developing countries but its importance was accentuated in China during the 1950's by a new degree and type of economic isolation from the outside world. For, whereas in the pre-war period, imports could be obtained to counteract temporary shortfalls of the inputs normally supplied by domestic

agriculture, and necessary for the functioning of the urban economy, after 1949, the imposition of stringent exchange control and the commitment to a long term programme of capital goods imports precluded this form of stabilisation. Therefore in years when agricultural output and income was low those sectors of the urban economy dependent on domestic agriculture for demand or inputs felt the full weight of readjustment implied by rural fluctuations.

The second factor contributing to the sharpness of fluctuations in the urban economy, was the size of the private sector and its diminishing sensitivity to conventional economic controls. In considering the size of the private sector it has to be remembered that it included both capitalist enterprises in the modern sector and small scale production and trading activities of a traditional character. In terms of output it remained very important up to the end of 1953, and even up to 1957 it remained of some significance. In 1953, the private sector still accounted for 48.6% of total industrial and handicraft output and in some cities it was still preponderant. In Shanghai and Canton for example the private sector accounted for 63% and 65%

of industrial output alone<sup>(10)</sup>. Furthermore it has to be appreciated that the private sector included the most labour intensive forms of activity in the urban sector (particularly in commerce) so that fluctuations in private sector output and sales lead to disproportionately large fluctuations in employment.

The basic explanation for the violence of private sector fluctuations was the increasing crudity of the instruments used for controlling it. Throughout the whole period the Government's attitude to capitalism and traditional forms of economic activity fluctuated sharply - being conditioned at any point in time by the degree to which these sectors were currently frustrating control of the economy and their importance in maintaining output and employment. The response particularly of the capitalists to these changing attitudes was correspondingly exaggerated. Thus when the Government was on the attack, the capitalists,

(10) <sup>Nien</sup> 1954 ~~Nein~~ Chuan Kuo Ke T'i Shou Kung Yeh Tiao Ch'a Tzu Liao (1954 National Individual Handicraft Survey: Materials). The handicraft output includes output in rural areas. Private industry's share of total industrial output in 1953 was 36.8%, Ten Great Years, page 38.

foreseeing imminent extinction, closed their enterprises, and often, if the opportunity was open to them, migrated to Hong Kong. But when (as periodically happened), the capitalists became convinced of the Government's good intentions towards them, they reacted with the wild optimism of men entering a golden age. The problem was that as time passed and the reversals in Government policy multiplied, the sensitivity of the private sector to any stimulation or control seems to have declined. Thus, although between 1949 and 1952 the Government had some success in controlling the sector by conventional means, after the violent anti-capitalist campaign of the Five Antis Movement in mid-1952, the dominating consideration in the minds of the capitalists was not whether marginal changes in budgetary, monetary or Government purchasing policy would make adjustment of their levels of activity worthwhile, but whether they were to be allowed to survive at all, and if so, for how long. This attitude meant that the Government had to resort to control techniques of increasing crudity and consequently of increasing potential for destabilization.

The third contributory factor to the severity of fluctuations was the adoption of a target rate of economic

performance which was probably in excess of what was feasible in the long run (irrespective of the economic system or policies adopted by the Chinese), combined with a structure of incentives and sanctions that induced a tendency to extremism in economic and indeed in all forms of activity<sup>(11)</sup>. Hence, the economy alternated between frantic booms in which plan targets were overshoot at the expense of prodigal waste of resources and loss of control, and periods of relative stagnation during which the growth rate readjusted to its material base and the Party and planners struggled to reimpose control over economic institutions. These periods of stagnation were intensified by the effects of political repression with which they were invariably associated, and which seemed to be a necessary part of the process of re-imposing control<sup>(12)</sup>.

(11) The implications of the gap between desired and practible performance are in discussed by the author in "Problems, performance and prospects of the Chinese economy", The World Today, Vol. 23 No.12, December, 1967.

The exceptional character of the fluctuations in Shanghai can be explained completely in terms of the three factors discussed above. The city had an abnormal dependence on agriculture because of the concentration in it of the cotton industry; it also had an above average dependence on the private sector as is indicated in Tables 5 and 7; and finally, it was a city which, because of the extent of its historical association with foreigners, the size and excellence of its educational system and the size of its Bureaucracy, was peculiarly vulnerable to purges and political movements of the type which swept China in 1952, 1955 and 1957.

The changing instruments of economic control

The development of instruments of economic control in the cities was a gradual process. The cadres who

(12) The economic consequences of political repression are well known to students of the Soviet economy, and the present author is convinced of the importance of variations in the political climate as an explanatory factor in the character of economic change in China during the 1950's.

found themselves responsible for the management of the urban economy in 1949 had been trained in an environment dominated by the logistics of guerrilla warfare and by the harvest - an environment in which almost all calculation was in real terms. In the cities, these cadres had to work in the context of political and economic relationships, more complex and refined than any that they had previously encountered. In the longer run, the economic ambitions of the Government would require a whole new machinery of economic administration, but in 1949, although the apparatus of the Soviet State was an ideal which could be written about and admired, it was largely irrelevant to immediate problems. In the short run, the economy had to be managed by use of existing, conventional instruments, often operated with the assistance of existing, non-communist personnel.

In the early years, the fiscal system was an important instrument of control. This system consisted of a hierarchy of geographical budgetary authorities (Province, Municipality, County etc), and of the budgetary system within each of the centrally controlled ministerial systems. The budgets of the geographical and ministerial authorities were combined to produce

the overall, national budget<sup>(13)</sup>. In the period up to 1952, budgetary control was the main weapon used to control inflation, and its use required a tremendous drive to bring under control the Budgets of the Great Administrative Areas and to discipline the activities of finance cadres throughout the whole system who had been accustomed to the freedoms of "guerrilla style" finance work<sup>(14)</sup>.

(13) Good general accounts of the financial system are, Wang Ching Chih, Wo Kuo Ti Yü Suan (My Country's Budget), (Peking, 1956), and Richard Diao, Chung Kung Kuo Min Ching Chi Tsai Cheng Chi Hua T'i Hsi Yü Kung Yeh Tsai Wu Chi Hua, (The Economic and Financial Planning System in Communist China's National Economy and Industry) (Hong Kong, 1966).

(14) The "guerrilla style" of finance work was characterised by (a) autonomy from central authorities (b) the use of local taxes (e.g. inter-county export/import charges) and (c) tax policies and collection methods of a highly discriminatory and political character. See, "Kwantung finance progresses towards correct procedures", Nan Fang Jih Pao (the Southern Daily) (Canton) 8.9.1950, hereafter NFJP.



During this period the principle was established that the obligations of each level of budgetary accounting to the level immediately superior were to take absolute precedence over all other claims on income. This principle, despite some modifications, was to have important repercussions until it was finally abandoned in 1958<sup>(15)</sup>.

In 1954 and 1955, the importance of budgetary work was again emphasized, although this time in the context of the acquisition of savings rather than of price control. The principle of the primacy of obligations to superior budgetary authorities was re-emphasized and reinforced by continuous auditing and in 1955 the share of the Central Government in total budgetary

(15) "A discussion of the division of jurisdiction between central and local authorities in financial and economic work", JMJP 26.5.1951.

expenditure rose to a peak of 78%<sup>(16)</sup>.

There is abundant evidence that the effect of this growing professionalism and centralisation of the fiscal system prejudiced the maintenance of high levels of activity and the efficient use of resources. This was because the combination of rigidly enforced obligations and unpredictable tax revenues led to extreme conservatism in investment and other expenditure by local planning authorities. The impact of this on employment was particularly marked because local labour intensive construction and small scale economic activities were affected by local budgetary squeezes. Similarly, financial conservatism within the ministerial systems

(16) The planned share of central government in total expenditure in 1955 was 78.44%. In the 1954/1955 budget speech the Finance Minister argued that an upward trend in the central government's share in spending was necessary and desirable if the Five Year Plans were to be financed successfully. See, Li Hsien Nien, "Report on the out-turns of the 1954 budget and the estimates for 1955". HHPYK 1955 No.8, pp. 23-32.

led to the immobilization of investment resources<sup>(17)</sup>.

As a result of the experience of these years, the finance system underwent a process of decentralisation which started in 1956 and finished in 1958. An important outcome of this decentralisation, was that the budgetary authority of the municipal authorities was considerably enhanced.

Monetary policy was also of some importance in the period up to the end of 1952. The control of the Banking system gave the authorities control over the supply and price of working capital and this was used to control the level of activity in a highly discriminatory manner. For example in 1950, it was used to

(17) A particularly interesting source of information on this subject is a series of budget accounts for Kwangtung Province and Canton City between 1954 and 1956. The Provincial reports are in, NFJP 17.8.1954, NFJP 3.12.1955, NFJP 5.8.1956. The Canton City reports are in, Kwang Chou Jih Pao (Canton Daily) 7.8.1954 hereafter KCJP, and KCJP 23.11.1956. There is also a report for the small Kwangtung Municipality of Hai K'ou which throws very interesting light on the relationship between a Provincial and a minor budgetary authority, see, NFJP 16.8.1956.

mitigate some of the most serious effects of the draconian budgetary policy then being enforced to control inflation<sup>(18)</sup>; later - for example after the Five Anti's in 1952 - it was again used in a highly selective fashion as an instrument to make the Government's control of the private sector more effective<sup>(19)</sup>. After this period however, the sensitivity of the private sector to monetary policy declined markedly so that other techniques of control had to be developed.

(18) See, "The volume of loans expands every month", CFJP 12.5.1950 and "In all areas the phenomenon of closures is steadily disappearing", Shanghai Kung Shang Tzu Liao (Materials on Private Industry and Commerce in Shanghai), 19.7.1950. In this early period there were some quite sophisticated discussions about interest rate policy. For example, "Some views on lowering interest rates", CCCP Ser.10, No.24, 15.6.1950.

(19) "Discuss the present stage of bank work", CCCP No.26, 3.9.1952.

The main source of new power over the economy in our period was the expansion of the public sector and the formal planning apparatus. This expansion is illustrated in Table 5 and in Table 10 below. These show the declining share of the private sector in industrial output and retail commerce. Of course control was not simply a function of the size of the state sector, for within that sector the planners had to develop information systems and a structure of incentives and sanctions which ensured the responsiveness of the economic administrators at the enterprise level. This quest for control was never successful and lead to experiments in organisation in which the Party and Mass Organisations played important roles. Nonetheless, despite the existence of problems within the public sector, the socialisation of 1956, marked in theory the point at which the authorities assumed complete control over all urban economic decisions, and it is significant that the national economic plan for 1957 was probably the most intelligent and technically satisfactory annual economic plan of the whole period.

Finally, it is important for our purposes, to

note that the changes in economic administration which were necessitated by the socialisation and the decentralisation of the finance and economic systems, initiated a chain of events which transformed the importance of the municipality as an economic planning unit. Before 1956, the municipality governments had of course performed a wide range of functions. For, apart from a whole array of non-economic work, departments of the municipal governments played an important role in the allocation of materials, food and labour and had been responsible for the operation of state enterprises not under direct ministerial control. In 1956, the municipal authorities also assumed responsibility for everything previously in the private sector, and in 1957, for those enterprises shed by the central ministries in the decentralization of that year. This acquisition of responsibility for production and trading enterprises had to be accompanied by new powers to plan and co-ordinate the supply of raw materials and labour. Thus by the end of our period, the municipality had become a planning unit of major importance, and the **municipality** had powers and responsibilities greater than those of comparable

authorities in the cities of any other country in the world.

The unresolved problems of urban economic management

The basic problem which the managers of the urban economy were unable to solve in the period 1949 to 1957, was that of reconciling the objectives of maintaining very high levels of urban economic activity (and employment) and at the same time maintaining control over prices and resource use, particularly in the labour market.

Let us consider first the period up to 1956. In this period, high levels of output and employment required a high level of activity in the private sector. This was recognised in 1950, (in the context of unemployment and a scissors crisis<sup>(20)</sup>; and in 1952<sup>(21)</sup>, in the context of a renewed employment crisis and of the control figures for the first year of the Five Year Plan. Yet the events of 1951 and 1953, showed that when stimulated, the private

(20) See particularly, "Overall arrangements and concern for both sides is the only way", JMJP 14.6.1950 and "Financial and economic work in the Chinese People's Republic during the past year". JMJP 1.10.1950.

(21) "State concerns in Shanghai help private firms to expand", NCNA release, translated in Survey of the China

sector rapidly went out of control and developed a capacity to frustrate the planned growth of the public sector. This may be explained thus: as the level of activity rose, so did the financial strength of the private sector and so consequently, did its power to bid up the prices of raw materials and labour, to negotiate higher prices for Government contracts, and even to refuse such contracts should such a course seem profitable(22).

(21) (Cont'd)

Mainland Press (Hong Kong) 395, 13.8.1952, hereafter, SOMP.

(22) The volume and terms of state contracts became the most important of the conventional techniques for controlling the private sector after the Five Anti's campaign. For details of resistance in 1951 see, Wu Chiang, Chung Kuo Tzy Pen Chu I Kai Tsao Wen T'i, (Peking, 1958), (Problems of the Economic Reform of Chinese Capitalism) Chapter 3. Also, "A refutation of "free development" thought (arising out of) the improvement in industry and trade", HWP 24.9.1951. For 1953, see for example, "Heighten vigilance and resolutely struggle against



Attempts were made to exercise detailed control over private firms through the activities of Union officials, Party members and other political activists within these firms, as well as through the working of the monetary and fiscal system, but these efforts were never successful in the long run because the authorities had neither the administrative nor political resources necessary to police the large number of small enterprises involved; and where these resources were available, it seems that they were

(22) (Cont'd)

illegal activities", and "Private industrial and commercial circles in Shenyang begin a movement to implement the correct style of work in management", Ta Kung Pao (The Impartial Daily) (Tientsin) 17.10.1953 hereafter TKP. Useful data on profit trends in the private sector in Shanghai are in, "The reform of Shanghai's private industry and commerce during the past four years", JMJP 3.3.1954.

often corruptible<sup>(23)</sup>.

(23) The main form of non-economic control over the private sector was that of quasi-democratic consultative bodies comprising representatives of management, unions, the Party and workers. These were introduced very early and strengthened somewhat in late 1952. See, Kung Ch'ang Kuan Li Min Chu Hua, (Shanghai, 1950), (The Democratisation of Factory Management) and, "Output and quality generally up; relations between labour and capital improved", CFJP 8.1.1953. These early initiatives do not seem to have been very successful and in 1954 a renewed effort was made to establish control of the private sector through groups of political activists in private enterprises. In Shanghai for example, a special school was set up in November 1953 to train Party workers for "the bitter and complex" struggle in the private sector, see, "Train the Party backbone in private enterprise", CFJP 16.4.1954. The role of the Youth League in this work is discussed in, "Organise the youth of the city (Shanghai) to struggle to fulfill the Party's general tasks during the transition period", WHP 14.5.1954.

The periodic growth of private economic power which stimulation of the urban economy involved was unacceptable politically and economically: and given the failure to control the private sector by conventional means, the outcome of these expansions was a repression which involved lowering the level of activity and employment. When activity and employment had fallen to levels of activity which were unacceptably low, the authorities had to initiate another acceleration which in due time lead to further loss of control etc. Thus we would argue that there was a policy cycle in the urban areas which was an important factor in the overall fluctuations of the period. Moreover this cycle was a vicious one, for control techniques applied to the private sector became increasingly crude and therefore increasingly repressive in their effects<sup>(24)</sup>.

(24) In 1954 for example, the private sector was the subject of a vicious stream of widely publicised legal actions against capitalists who were held to have contravened tax, labour and other laws. See for example, "Ch'iu Kao Hsi the capitalist proprietor of the Te Hsing factory in Shanghai is given a prison

The special problems of the private sector were not however the only explanation of the inability of the planners to reconcile control with high levels of activity in this period. The behaviour of administrators in the public sector was also important - particularly in the periodic destabilisation of the labour market. This was notably the case in 1953 and 1956 when the planned construction expansion and the pressure for fulfilment of very high physical output targets resulted in a complete collapse of labour administration. An explanation of this is suggested in a later Chapter, but the combination of lack <sup>of</sup> administrative resources and the inherent weakness of a control system in which power was distributed unequally between the horizontal (local) and vertical (ministerial) planning authorities was the basic problem.

(24) (Cont'd)

sentence", TKP (Peking) 17.4.1954 and "The Canton Municipality People's Court convenes a public sentencing assembly and passes sentence on the illegal actions of a batch of capitalists", NFJP 12.7.1954. Legal intimidation was also used again in 1957, see "Stop capitalist counter currents", TKP (Peking) 16.8.1957.

The socialisation of the private sector in 1956 was expected to resolve many of these problems. For the socialisation ensured that formally, all economic decisions fell within the prerogative of the planners; and in theory this implied that they could put as much pressure as they wished on the urban economy without risking loss of control. This would make possible the fulfillment of the very ambitious construction and output plans for 1956 without recrudescence of the control problems of 1951 and 1953. However in practice the matter was more complex; for the acquisition of formal control over economic enterprises could only be meaningful in so far as administrative and political control over them was really effective. Unfortunately it was not. In Shanghai for example, we find the municipal planners admitting in August 1956 that they were still only capable of planning directly, 23% of the output for which they had been responsible for since the January socialisation; and in practice, the operation of all enterprises previously in the private sector depended largely on the goodwill and cooperation of

the old capitalists, managers and intellectuals<sup>(25)</sup>. It was precisely the necessity of securing this goodwill that lead the Government to combine the "High Tide of Socialism" in the cities with an era of political liberalisation and subsequently a wage reform that favoured possessors of technical and managerial skills.

(25) See especially K'o Ch'ing Shih, secretary of the Shanghai Bureau of the Central Committee of the Communist Party in CFJP 11.8.1956. The weakness of political control is indicated in Shanghai by the fact that there were only 49,982 Party members in Shanghai in 1956, in which year it was reported that there were over 26,000 enterprises in the industrial sector alone. It seems certain therefore, that there must have been large numbers of economic enterprises in which there was not even a single Party member. See, HWP 8.8.1956 and CFJP 27.7.1956.

It was no accident that Chou En Lai's famous speech on "The Problem of Intellectuals" was made on the eve of the last, extraordinary week of the Shanghai socialisation(26).

(26) The Shanghai socialisation was completed in the third week in January (although only a few weeks earlier it has been expected that the socialisation process would take another ten years). Chou En Lai's speech was made on the 14th of January. See, Cheng Chih Hsueh Hsi (Political Study) 1956, No.2, 13.2.1956, Lao Tung Pao (Labour Daily) (Shanghai) 20.11.1955, hereafter LTP. See also LTP 25.11.1955 and JMJP 19-22.1.1956.

The defects of socialisation as a strategy for control rapidly revealed themselves, for in Autumn 1956 and 1957 we find yet another revival of the "private sector" which now consisted of handicraft cooperatives and small enterprises which were in the public sector yet in practice capable of independent action, and also the so called "autonomous enterprises". The former were mainly enterprises and handicraft shops which had been in the private sector before January 1956, which had not been effectively incorporated into the planning system, and which exhibited strong tendencies to independent action which the authorities described as "commercialism" and "capitalism"<sup>(27)</sup>.

(27) In the public sector in Shanghai in 1957 there were estimated to be at least 20.000 enterprises whose production was not subject to direct planning - indeed a great many of these enterprises could not be planned, because they did not at that time keep any accounts. See, CFJP 11.8.1956.



The "autonomous enterprises" were illegal firms, staffed by peasants, unemployed workers, housewives, ex-members of disintegrating co-operatives and other anxious to participate in the urban work force, but unable to do so in the public sector (or in some cases only able to do so at unsatisfactory levels of income) (28). Most of the autonomous enterprises were initially very small, but they did show a surprising propensity to grow both in terms of turnover and geographical linkages. Thus the dilemma of 1951 and 1953 presented itself yet again. For the new private sector proved to be as unmanageable as the old. It frustrated control over materials supply and prices and it undermined employment and wage control in the public sector. Yet the sector was tolerated (at least in part) until the Great Leap Forward, and nowhere

(28) The number of autonomous enterprises in Shanghai in March 1957 was given as 5.000. These enterprises were classified under ninety different industries and trades and employed a total of 16.000 workers. See, "Strengthen the management of autonomous enterprises", CFJP 3.3.1957.

in the 1950's is the conflict between the desire to maintain high levels of output and employment and the unwillingness to acquiesce in the loss of control that this entailed, more apparent than in the handling of the autonomous enterprises in 1957. Firm measures were taken against "capitalist tendencies" within the public sector; but although the autonomous enterprises were threatened again and again, they were always reprieved from complete extinction on the grounds that the employment and output they provided made them indispensable<sup>(29)</sup>.

(29) The campaign to bring the public sector in Shanghai back under control is described in, "Supervision by the masses must be strengthened", CFJP 22.3.1957 and "Heads of small businesses in Shanghai attend the first lesson (in the correct style of management)", CFJP 20.10.1957. The campaign to control the autonomous enterprises took place throughout China in 1957. See for example, "Suchow begins to punish autonomous enterprises", Hsin Hua Jih Pao (New China Daily) (Nanking) 23.8.1957. "Resolutely defeat the wild attacks of illegal autonomous enterprises", Chung Kuo Ch'ing Nien Pao (China Youth Daily) 21.8.1957. In defence of the private sector see

Apart from this, the problem of controlling the large enterprises in the public sector when under pressure had not been solved by 1957 either. For in 1956, we find that the materials supply and labour management work were as chaotic as ever. To some extent this can be attributed to the inevitable confusion of a transition period: but in the longer run, events suggest that only a decentralisation more ruthless than anything contemplated in 1956, combined with a greater degree of Party control than anything experienced in the early 1950's, would give the Government the power it wanted.

To summarise, the main features of the urban economy in the 1950's were rapid population growth; rapid but erratic growth of industrial output: and a transformation of economic institutions and instruments of control which although radical, did not enable the

(29) (Cont'd)

"Why tolerate autonomous enterprises?", HWP 11.5.1957 and speeches at the National Handicrafts Conference in December 1957, TKP (Peking) 24.12.1957.

planners to achieve a satisfactory reconciliation of their objectives of high levels of **urban** economic activity and employment and the maintainence of control sufficient to ensure the fulfillment of the basic industrial targets of the First Five Year Plan.

Table I. Indexes of Industrial Production (National) 1949-1957

	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
a. 100	100	136	188	245	319	370	391	502	559
% change		+36	+38	+30	+30	+16	+6	+28	+11
b. 100	100	133	189	244	299	348	361	459	504
% change		+33	+42	+29	+23	+16	+4	+27	+10
c. 100	100	130	174	226	282	320	332	410	442
% change		30	34	30	25	13	4	23	8

Sources: a. Official index of the gross value of production of industry (modern and workshop), Ten Great Years, (Foreign Languages Publishing House, Peking, 1960), page 87.

b. A reconstructed index by Michael field in, An Economic Profile of Communist China, (Washington, 1967) Volume I, page 273.

c. An index of factory production by Kang Chao, The Rate and Pattern of Industrial Growth in Communist China (Ann Arbor, 1965) page 88.

Table 2. Index of Industrial Production for Shanghai

	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
100	100	102	160	195	263	282	269	371	379
% change		+2	+56	+22	+35	+7	- 5	+38	+2

This is <sup>an</sup> index of gross value of output and excludes handicraft production. There are many sources which contain data on changes in aggregate Shanghai industrial production. There are slight variations among these and in choosing sources we have in general preferred those which contained a short series of data rather than individual figures. It is very difficult to appraise the accuracy of this official index since we lack the data necessary to construct a comprehensive index of our own. However, it may be noted that at one point in our research when we had no official index numbers for 1950 and 1951, estimates for those years based on production data for individual industries subsequently proved to be within 2% of the official estimates of production for both those years.

Sources: "The achievements of economic and finance work in Shanghai during the past five years", Hsin Hua Yueh Pao (New China Monthly) 1955 No.4, pp.96-99 hereafter HHYP. "Rationally develop public utility enterprises so that they are more useful both to industry and citizens", CFJP 21.8.1956. "Report on the implementation of the 1956 national plan in Shanghai and the plan for 1957",

Table 2 (Cont'd)

Hsin Wen Pao (The Daily News) 28.8.1957, hereafter HWP. "Total output doubled in five years", HWP 28.12.1957.

Table 3. Index of retail sales (urban and rural areas) 1949-1957

	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
		100	137	162	204	223	229	270	278
% change			+37	+18	+26	+9	+3	+18	+3

Source: Ten Great Years, page 166.

Table 4. Index of gross value of output of private industry 1949-1957.

	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
	100	107	148	154	195	152	106		
% change		+7	+39	+4	+24	-21	-30		

Source: Ch'i Nien Lai Wo Kuo Szu Ying Kung Shang Yieh Ti Pien Hua Ch'ien Hua et.al.

(The Transformation in Private Industry and Commerce in the past seven years) (Peking 1957), page 8.



Table 6. Annual changes in the level of private sector industrial output in

Shanghai. 1951-1953.

	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
% change	n.a.	n.a.	+63	- 4	+34

Sources: "The reform of Shanghai's private industry during the past four years",  
Jen Min Jih Pao (The People's Daily) (Peking) 3.3.1954, hereafter JMJP.

"Shanghai industry helps national construction", Wen Hui Pao (The Cultural  
~~Content~~ <sup>Contact</sup> Daily) 27.8.1954, hereafter WHP.

Table 7. The share of the private sector in Shanghai industrial output (%)

	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
	83 <sup>a</sup>	83 <sup>b</sup>	87 <sup>c</sup>	68 <sup>d</sup>	63 <sup>e</sup>	n.a.	35 <sup>f</sup>

Sources: a and f, "Mobilise every energy and actively utilise Shanghai's  
industrial potential", HWP 8.8.1956.  
b, c, d, estimates based on the assumption that the private sector's  
share did not fall in 1950 and data referred to in Tables 2 and 6.  
e, "Shanghai statistical bureau report on the implementation of the  
1953 state plan in Shanghai", WHP 30.9.1954.

Table 8. Industrial employment 1949-1957

	000's					
	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u> <u>1955</u> <u>1956</u> <u>1957</u>
3.059	3.386	4.379	5.263	6.121	6.121	6.121 7.480 7.907
% change	+11	+29	+20	+16	+4	- 4 +22 +6

Source: John Philip Emerson, Nonagricultural Employment in Mainland

China: 1949-1957, (Washington, 1965), U.S. Bureau of the Census, Ser.

P.90, No.21. Table I page 128. Hereafter Nonagricultural Employment.

Table 9. Employment in the construction industry 1949-1957

	000's					
	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u> <u>1955</u> <u>1956</u> <u>1957</u>
200	400	600	1.048	2.170	2.100	1.935 2.951 1.910
% change	+100	+50	+75	+107	-3	- 8 +53 - 35

Source: Emerson, Nonagricultural Employment, Table I page 128.

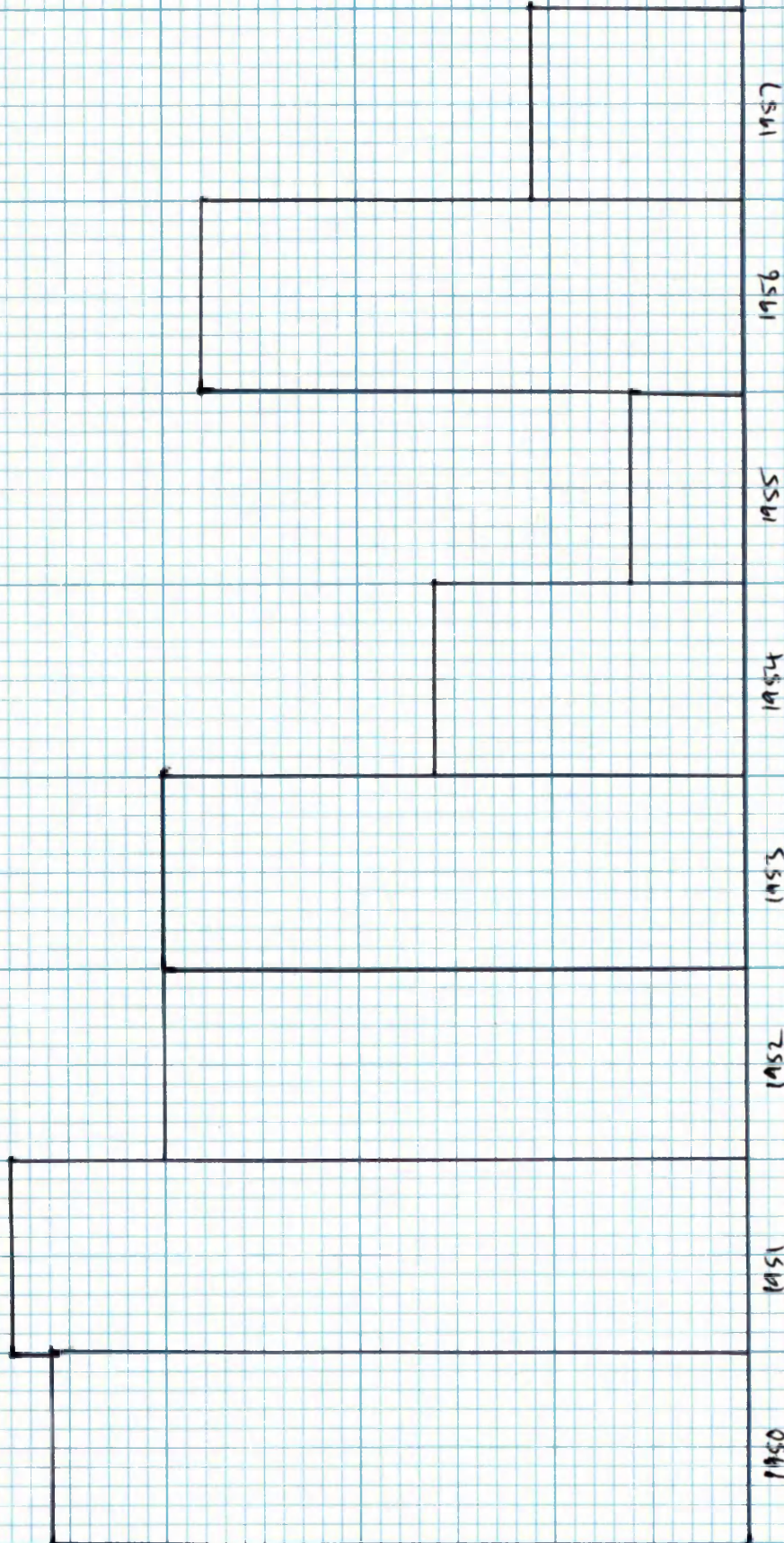
Table 10. The share of the private sector in retail sales 1950-1957 (% share)

<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
85	75.5	57.2	49.9	25.6	17.8	4.2	2.7

Source: Ten Great Years, page 40.

Diagram I Index of Industrial Production (Official) 1949-1957 (Source: as Table 1) % annual change

+40%  
+30%  
+20%  
+10%





# Diagram 2 Index of Industrial Production in Shanghai 1949-1957 (Source as Table 2)

% Annual change

page 62.2

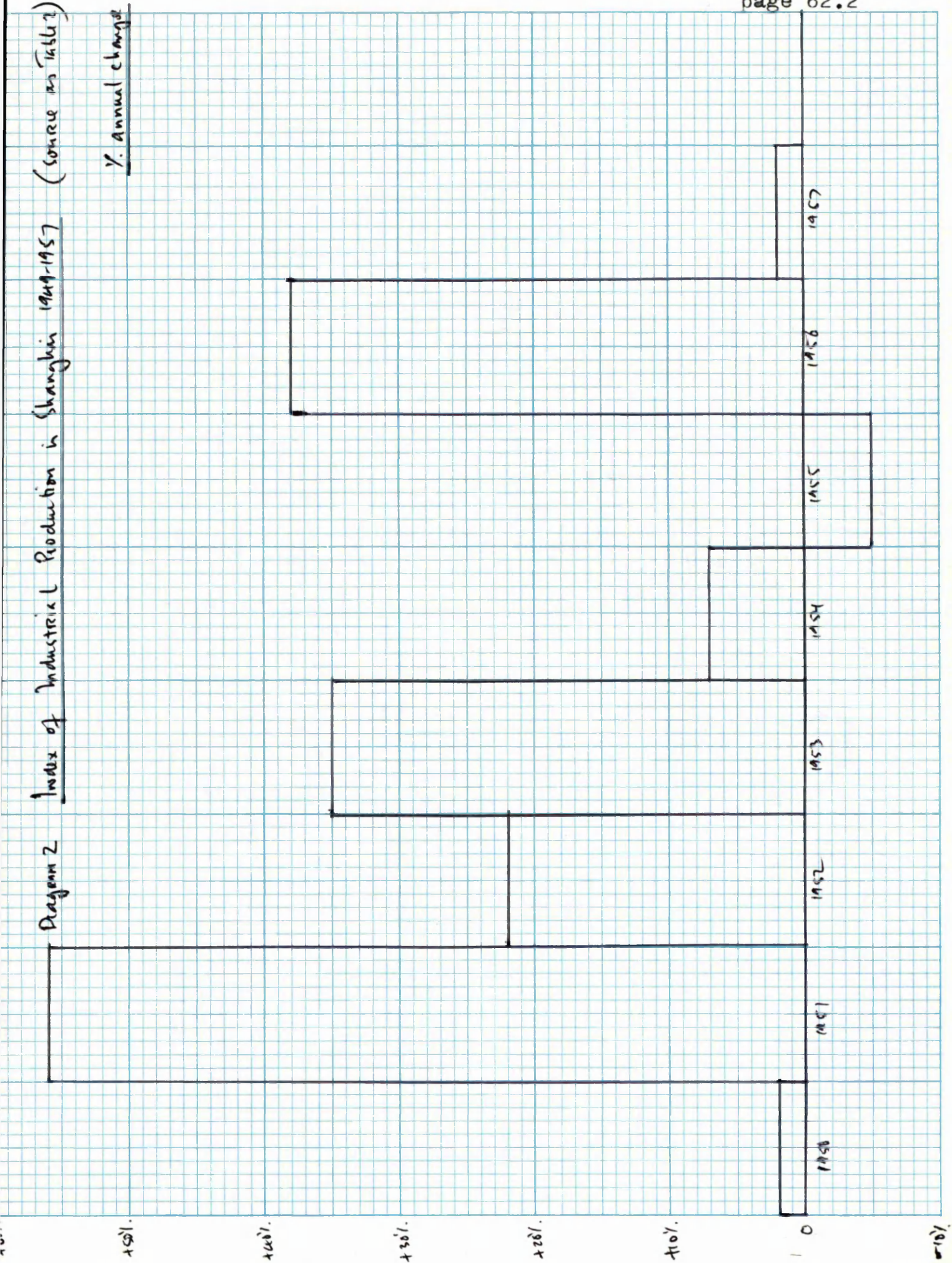




Fig. 3 Index Retail Sales (current and real) % annual changes (1950-1957) (Source: Table 3)

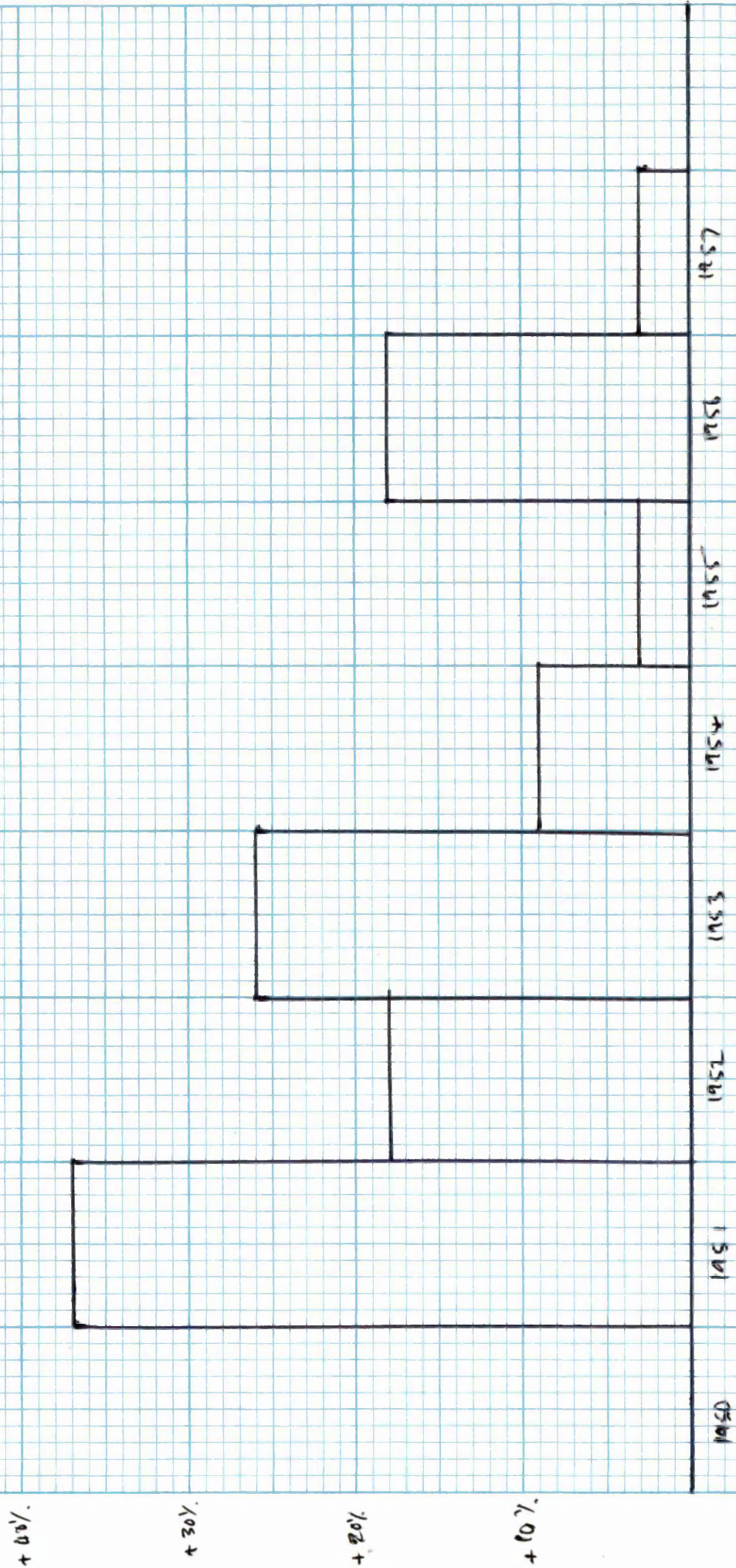
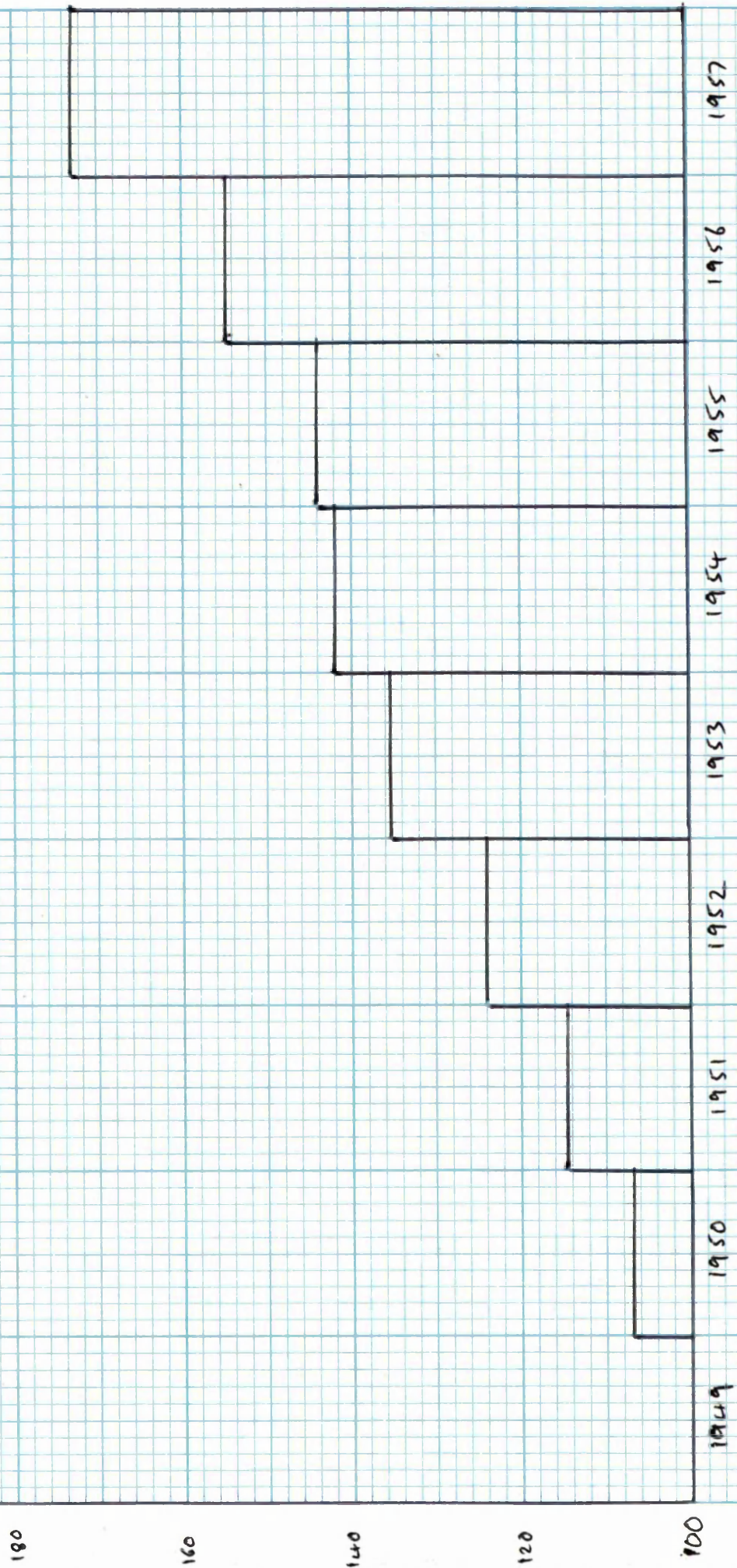




Diagram 4 Index of Urban Population Growth 1949-1957, Source: Table 23 1949=100



## CHAPTER TWO

### The growth and structure of the urban labour force

This chapter is divided into four parts. In the first part we examine the usefulness of existing reconstructions of employment data relevant to the study of the urban labour market. Second, we proceed to explore the Shanghai data in an effort to quantify the size and character of the demand and supply for labour and the structure of employment in that city. In the third part we present a table which summarises a mass of other local data which gives some indication of the size of inter-city variations in China's urban employment and demographic experience. Finally, in part four, we summarise the national employment data and discuss the attempts that have been made to estimate urban unemployment.

#### Part One

##### The existing estimates of employment

Up to the present there have been only two completely original attempts to provide the sort of statistical framework relevant to our needs. The most detailed and comprehensive of these is J.P. Emerson's Non-Agricultural



Employment in Mainland China: 1949-1958.

The other is a series of estimates presented by T.C.Liu and K.C.Yeh<sup>1</sup> as a part of their estimates of Chinese National Income<sup>(1)</sup>.

Emerson's work is without question one of the most professional and painstaking pieces of research which has yet been done on the Chinese economy since 1949; and we have therefore made considerable use of his results throughout this thesis and in the latter part of this Chapter, his main results are summarised. However, in many ways, Emerson's work reflects the methods and requirements of demography rather than economics and we think it can be shown that his final data have limitations which justify an attempt to find alternative approaches

(1) Ta-Chung Liu and Kung-Chia Yeh, The Economy of the Chinese Mainland: National Income and Economic Development, 1933-1959, (Princeton 1965). Hereafter referred to as Liu and Yeh.

Emerson has also written up his material in, An Economic Profile of Mainland China, Joint Economic Committee of the United States, (Washington, 1965) Volume II Part III. (Hereafter referred to as The Profile).

to the problem of quantifying China's urban employment experience.

The first point to be emphasized about Emerson's data is that they are principally concerned with the whole of the non-agricultural work force. They therefore include persons resident in rural areas and engaged in such occupations as construction work, water conservancy, fishing, trade, services, education and various kinds of Government and Party work. Since such persons have been estimated to form a majority of all non-agricultural employment, it is immediately obvious that changes in employment in this category of the labour force can only have a restricted value to those concerned with the analysis of economic change and the labour market in urban areas<sup>(2)</sup>, In particular, it is difficult

(2) Liu and Yeh estimate that in 1957 the rural component of the non agricultural labour force was 67% of the total. Liu and Yeh, pp. 102-103. It should be noted that estimate of the rural nonagricultural labour force involves ascertaining (work patterns of persons in rural areas engaged at different times in both agricultural and non-agricultural sectors. We believe this to be an impossible task at the level of national aggregates.

to use this data in conjunction with urban demographic data and qualitative information to construct a coherent picture of urban population and employment. It is true that the juxtaposition of Emerson's data with material on urban areas is often very suggestive, but precise conclusions are precluded by definition<sup>(3)</sup>.

The second difficulty with Emerson's data are their admitted inaccuracy. Emerson himself is fully aware of this; although some of the less perceptive users of it do not always appear to have been so. Emerson's work is basically a reconstruction of official data and therefore reflect the inadequacies of such data. The official data is defective in two important respects. First, the slow development of a centralised and effective statistical system precluded the collection of comprehensive and consistently defined employment data, particularly in the early 1950's. Indeed according to Emerson, right up to the end of the

(3) Emerson's analysis of his material is mainly to be found in The Profile.

First Five Year Plan it was admitted that satisfactory estimates of employment were impossible<sup>(4)</sup>. Information on the public sector was of course fairly adequate and there was also considerable information on persons classified as workers and staff who were in the private sector up until 1956<sup>(5)</sup>. Outside these categories

(4) The best general account of this is, The Statistical System of Communist China, Choh-Ming Li (Berkeley, 1962), Part One. Also see Emerson, The Profile, page 419.

Although comprehensive statistics were poor throughout the period, from 1953 onwards a number of important specific surveys were undertaken. Those on Private Industry, (1954); Handicrafts, (1954); and Private Trade, (1955), contained information about employment in these sectors. In 1955 there was also a major survey of employment of workers and staff in the public sector.

(5) The category of "workers and staff", (Chih-Kung), includes all persons who are basically wage earners. Such persons may work in the public or private ~~or public~~ sectors; in industry, trade or administration. It excludes persons whose income is variable: for example capitalists, persons engaged in small scale production,

(5) (Cont'd)

trade or transport (whether private or cooperativised), temporary construction workers etc. A succinct account of this classification is, "Problems in (defining) the scope of the numbers of our workers and staff at the present time", T'ung Chi Kung Tso (Statistical Work) 1957 No.1. 14.1.1957 hereafter, TCKT. In Shanghai in 1956 approximately 70% of those in employment were workers and staff. Data on total employment Table 18. Total workers and staff in, Wang Ke, "The livelihood of the city's workers and staff has markedly improved", HWP 2.9.1957. (Wang Ke was the chief of the Shanghai Labour Bureau at that time).

comprehensive information did not exist. These failings resulted in substantial under-reporting which is reflected in Emerson's data. This deficiency and general unreliability is made even more serious by the inclusion of data from rural areas where statistical organisation was most primitive and the problems of classification most intractable.

The second major source of under-reporting in the official data is the absolute exclusion from employment surveys of persons engaged in certain types of occupation. In particular, those engaged in certain traditional trades and services; "capitalists", (a category which included persons employing labour in very small scale economic activities); tutors, servants, persons doing religious work and others engaged in occupations which the authorities did not recognise as productive or thought to be positively harmful. In addition to these deliberate exclusions, the official figures would not have contained information on those engaged in illicit economic activities.

Emerson has been able to make some allowance for these omissions in his estimates. In particular he has data on persons engaged in traditional transportation. However, as he himself makes clear, his figures must

reflect the biases in the official data and therefore substantially understate actual nonagricultural employment. By using Ou Pao San's pre-war data, Emerson has estimated that his figure for nonagricultural employment for 1949 is about 27% below the actual figure. For 1957, Emerson estimates that the undercount has dropped to 11%, although he does not indicate how this figure was arrived at<sup>(6)</sup>.

Further indication of the degree of uncertainty surrounded the national data is obtained by a comparison of Emerson's main conclusions with those of Liu and Yeh. The degree of divergence between the two is illustrated by comparing their respective estimates of total non-agricultural employment. Emerson's figure for 1957 is 39,667,000, which we may raise by 11% (in accordance with his own estimate of the undercount in his data) thus obtaining a figure of 44,000,000. This compares with Liu and Yeh's estimate (for the same year), of 64,000,000<sup>(7)</sup>. Differences of this magnitude between

(6) Nonagricultural employment, pp.70-73.

(7) Liu and Yeh, Table II, page 69.

between competent scholars must throw some doubt on the feasibility of classifying and enumerating the work force at the national level.

Detailed examination of the two sets of estimates shows that Liu and Yeh's calculations are a good deal more ambitious than anything to be found in Emerson and that their results are in a form which appear more useful analytically. However, usefulness must be determined by the reliability of the data, and the only way of <sup>ascertaining</sup> this is by comparing the methods employed in establishing them. Here, the contrast between the two sets of data is very instructive. Emerson, as we have seen, departs as rarely as possible from the official figures and as a result has difficulty in obtaining a very satisfactory result. Liu and Yeh on the other hand, start with a small collection of pre-and post 1949 data and by making a number of critical, (and often unsubstantiated) assumptions, they convert these data into a detailed series of estimates for all major categories of employment <sup>(8)</sup>. In our view, Liu and Yeh's results are therefore in some ways even less satisfying than Emerson's. For although Emerson's results are incomplete and difficult to analyse, they do

(8) We evaluate Liu and Yeh's assumptions in our discussion of unemployment estimates.



give one some positive information. Liu and Yeh by contrast give one a brilliant, internally consistent account of what reality might have looked like, but at the end of the show one has more admiration for the skill of the showmen than confidence in the detailed accuracy of their picture.

One final point about the national manpower data is that one has to remember that they are an aggregate of significant regional variations. One would expect such variations in view both of the extreme differences between regions in their resource endowment and of the discriminatory development policies of the First Five Year Plan. The data in part three of this chapter indicates that the employment and demographic experience of China's urban areas were indeed very varied and although one could not say that the national data are so atypical as to be without meaning, One should consider them in full knowledge of the variations of which they are composed.

In view of this apparent difficulty in assembling national employment data which are both credible and analytically useful, it seemed worthwhile attempting to construct a statistical picture of urban employment

change using data from individual cities, since such an approach eliminates many of the difficulties encountered in estimating and handling highly aggregated data. By restricting oneself to individual urban areas one can use employment data in direct conjunction with demographic and production data and with the assistance of systematic qualitative information of the kind available for many cities, one can build up a coherent, if at times sketchy picture of the working of individual urban economies. The population, migration and employment data available for some cities are more detailed and probably more accurate than national data on these subjects, and it must certainly be the case that such urban data is superior to data which includes, (or is derived from information which includes), the experience of rural areas. Thus although specific urban studies are in one sense less ambitious than attempts to survey and analyse data for all urban areas, they have the advantage that in them one can often find an answer to more complicated and economically more interesting questions than is possible in more general surveys.

It must of course be emphasized that local studies

do not remove the ambiguities and difficulties which face the analyst working on national data; indeed, new problems appear. But in general these difficulties are reduced to more manageable proportions and the scope for major error is usually smaller than is the case with national studies.

We had hoped that it might prove possible to construct a detailed picture for a number of cities, but this proved too difficult. In the event it seemed best to concentrate on one city - Shanghai - and to supplement this with incomplete data for other cities where it seemed appropriate to do so.

There were several reasons why Shanghai was selected. First there was the exceptional availability of newspapers and other materials from which to cull data. Second, it seemed probable that Shanghai data would have an accuracy above average even for urban areas. The Shanghai city administration had considerable experience in statistical work, since before the Anti-Japanese war the Bureau of Social Affairs of the Shanghai City Government undertook a number of pioneering surveys of the city's industrial structure and the effect that industrialisation was

having on population, employment and living standards<sup>(9)</sup>.

This experience, together with the above average degree of literacy and general sophistication evident in the city, gives one considerable confidence in any data produced by the municipal government<sup>(10)</sup>.

(9) The results of five industrial surveys are given in D.K.Liu, The Growth and Industrialization of Shanghai, (Shanghai, 1936). In addition, the Bureau of Social Affairs produced thirteen reports and surveys of labour statistics between 1918 and 1935. There were also a number of more general statistical handbooks published during the 1930's.

(10) When the present writer visited Shanghai briefly in 1965 and 1966 he was struck by the number of ways in which western influences still lingered and by the evident~~e~~ of competent local administration. Educational activity in the city is still exceptional. In 1957 over 5% of all middle (secondary) school pupils were in Shanghai and in 1966 it was reported to the present writer that one person in four was engaged in some form of vocational educational activity. The writer also had some conversation with an official of the municipal government who showed an impressive grasp of the economic and

The results for Shanghai are of course interesting in their own right. It is the largest city in China and in 1957 still accounted for 7% of China's total urban population. In the First Five Year Plan the city accounted for 20% of industrial output and the total contribution of the city to the process of China's economic modernisation is beyond quantification; in terms of skilled and professional manpower alone, it was enormous.

Apart from this Shanghai's experience of economic change in the 1950's was not abnormal; or even at the extreme of any of the types of urban development which can be identified in these years. The city was not one of those designated for rapid expansion as was the case with some of the older Manchurian cities and the new cities in the North West. But neither was it like cities

(10) (Cont'd)

administrative problems involved in his work. See, Christopher Howe, "The supply and administration of urban housing in mainland China: the case of Shanghai", China Quarterly, January-March 1968, pp.73-97.

such as Chungking, where special factors lead to completely untypical forms of change

Part Two. Employment in Shanghai.

In this section we present data on the growth of Shanghai's population and then proceed to estimate the supply and demand for nonagricultural labour in Shanghai between 1949 and 1957; the net change in nonagricultural employment in that period; and finally, the structure of employment in 1957 and evidence of change in this.

Population

Total population is estimated to have grown from 5 millions to 7.2 millions between late 1949 and the end of 1957. This represents a compound growth rate of 4.7% per annum. In Table II below some official data for intervening years are also included, but no effort has been made to interpolate estimates where official data is missing.

Of the total population increase, 33.6% is estimated to have been due to net migration and the

balance of 66.4% due to natural increase<sup>(11)</sup>.

(11) This estimate of the relative shares of migration and the natural growth of population is slightly different from that implicit in another article on population. This article put the natural increase between 1950 and 1957 at 1.550.000. This would imply net immigration of only 650.000 which seems improbably low. See, "Make the Shanghai population growth rate fall to 2%", WHP 23.1.1958.

## The Population of Shanghai 1949-1965 (Urban and Rural)

000's

	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1965</u>
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<u>urban</u>	5,000 <sup>a</sup>	5,407 <sup>b</sup>	n.a.	n.a.	6,200 <sup>d</sup>	n.a.	6,500 <sup>e</sup>	6,750 <sup>f</sup>	7,200 <sup>h</sup>	10,000 <sup>i</sup>
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of  
whichrural

n.a.	245 <sup>c</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	400 <sup>g</sup>	n.a.	4,000 <sup>j</sup>
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Sources:

a. This is our estimate. There was a population check in January 1950 which reported a population of 5,020,000. See, "We must make a great effort to persuade peasants who have migrated into the city to return to the countryside voluntarily", CFJP 31.7.1955. Data on Shanghai's long run population growth is given in Table 22.

b.c. These figures are given in Tu Pao Shou Ts'e (The Newspaper Readers Handbook), (August, 1950).

d. This is the 1953 Census figure quoted in Morris B. Ullman, Cities of Mainland China: 1953-1958, (Washington, 1961), page 22.

e. In April 1955 the population reached a peak of 7,000,000. See, "Why we must reduce Shanghai's population", HWP 10.8.1955. The reduction in



e. (Con'd)

population is estimated to have brought the total down to 6.500.000 by the end of the year.

f. A figure of 6.570.000 was given as the year end population by Chang Jui, "Some views on Shanghai's population and area", WHP 11.2.1957. This however explicitly excluded persons in the process of being removed from the city who were in fact still resident there. A more realistic indication of population at this time is probably, the figure for January 1957 of 6.800.000. This is given in, "Mobilise peasants to return to rural production", CFJP 10.3.1957.

g. Chang Jui op.cit note f.

h. Population continued to rise under the impact of immigration at least until September 1957 when a total of 7.250.000 was reported. See, "Shanghai's population reaches 7.250.000", WHP 17.11.1957. Forced emigration then began to take effect and for the year end total we have used a figure given for January 1958, in, WHP 6.6.1958.

i.j. During 1958 the total area under the administration of the Shanghai Government was enlarged by ten counties so that population data after that year are no longer comparable with earlier figures. The data for 1965 are

i.j. (Cont'd)

those given to visitors and are the same as those in the Economic Geography of East China published in 1959. Sun Ching-Chih and others, Hua-Tung ti-chu Ching-chi ti-li, (An Economic Geography of East China) (1959)

Page 44.

### The supply of labour

The supply of job seekers in our period came from three sources: the natural addition to the labour force; the migrant addition to the labour force; and the stock of unemployed workers which included both persons unemployed in 1949 and those who subsequently lost employment; this may have happened either as a result of rationalisation and productivity increase, or as a result of failures in the private sector.

### The natural addition to the labour force

The labour force is defined as persons between the ages of sixteen and sixty and in order to estimate the number of persons who entered the labour force between 1949 and 1957 it is necessary to make some assumption about the age structure of the population at the beginning of the period<sup>(12)</sup>. In the absence of any more satisfactory data it is assumed that this structure was

(12) Throughout we have kept to Chinese usage in matters of age. Thus all ages given are one year older than would be the case in Western usage.

the same as that of the population of Greater Shanghai in 1930<sup>(13)</sup>. It is arguable that this assumption is unrealistic because the civil war and the consequent refugee problem would have distorted the age structure of population. But against this it should be remembered that somewhat analogous political and military conditions

(13) Data on the age structure of the population of Greater Shanghai is in, Statistics of Shanghai, Table IV, page 33. The age groups in this table do not coincide exactly with our requirements. We have therefore assumed an even distribution of population within each age group and reconstructed the table to yield the information required. The alternative to using this age structure would have been to use national data from the 1953 Census. It seemed probable however that such data, necessarily dominated by the rural sector, would have been an even less satisfactory guide to Shanghai's age structure in 1950 than the age structure for 1930.

existed in the region around Shanghai in the three years preceding 1930<sup>(14)</sup>. Applying this pre-war age structure to the 1949 population we estimate that the natural addition to the labour force was 704,000, which represents an annual flow of 88,000<sup>(15)</sup>. To obtain the actual flow of job seekers this figure has to be adjusted to allow for the effect of retentions within the educational

(14) A good account of Shanghai in the late 1920's and early 1930's is contained in, Harold R. Isaacs, The Tragedy of the Chinese Revolution. (Stanford, First Edition 1938, revised 1951).

(15) Sung P'ing in his celebrated article "A discussion of the employment problem", Hsueh Hsi (Study), 1957 No.12, 18.6.1957 hereafter HH defines the addition to the urban labour force as the net result of men entering and leaving the 16-60 age range and women entering and leaving the 16-50 age range see "A discussion of the employment problem". Liu and Yeh use an age range of 12-64 for all sections of the nonagricultural labour force. In our view this latter is inappropriate for the urban sector.

system. The effect of such retentions on the annual flow of job seekers will depend on whether or not there was a net inflow or outflow from the educational system of persons aged sixteen or over. This in turn will depend on whether the student population of the relevant age group was increasing or decreasing; for, if the system was of constant size, after the first group of students had graduated, the inflow of new enrolments would exactly equal the outflow of graduates so that the size of the flow of job seekers would be unaffected. There can be no doubt that there was a rapid increase in the size of the educational system between 1949 and 1957 and we have estimated that the net off-take from the labour market amounted to 144.000 or 13.000 annually<sup>(15)</sup>.

(16) Strictly, the relevant parts of the educational system are the upper middle schools (16-18 years) and the higher educational system. However there is evidence of over-age students in the lower middle schools and allowance has to be made for this. Our estimate of the Shanghai off-take was arrived at in the following way. First, we assembled data of

(16) (Cont'd)

enrolments and graduations for all Junior and Senior Middle Schools and institutions of higher education. These data were adjusted for drop-outs and for an estimate that one third of Junior Middle school pupils were of working age. An estimate of the net inflow into the national educational system was then made. Shanghai's share in this was assumed to be proportional to its share of the total student population. Finally, the Shanghai off-take was adjusted to allow for the assumption that 40% of the student population came from rural areas. National data in, Ten Great Years, page 192, "Problems of the development plan for our country's Junior and Middle schools", Chi Hua Ching Chi (Planned Economy) 1957 No.10, pp. 20-27, 9.10.1957, hereafter CHCC, and "The development of our country's educational activity in recent years", TCKT 1956 No.20, 29.10.1956. We have included in our calculations an allowance for the 78.000 people in Shanghai who in 1957 were being educated completely outside the formal educational system. Shanghai data in, WHP 9.8.1956, HWP 15.8.1956, WHP 13.4.1957, WHP 16.4.1957 and WHP 17.4.1957. Also, Leo A. Orleans, Professional Manpower and Education in Communist China, (Washington,

The migrant addition to the labour force

In Table 12 below we present a summary of population movements into and out of Shanghai for the period 1949-1957.

Table 12

A Summary of Population Movements into and out of Shanghai, 1949-1957.

	<u>Immigration</u>	<u>Emigration</u>	000's
	1.000 <sup>a</sup> (To 1955)		
	<u>820<sup>b</sup></u> (1956/1957)		
Total	1.820	total 1.080 <sup>c</sup>	

Net immigration

Total 740

a. "We must persuade peasants who have infiltrated into the city to return voluntarily to the countryside", CFJP 31.7.1955.

b.c. Hsu Chien Kuo, (Vice Mayor of Shanghai), "Mobilise surplus urban labour power to help construct socialist agriculture", WHP 7.1.1958.

(16) (Cont'd)

1960) and Chu Yuan Cheng, Scientific and Engineering Manpower in Communist China 1949-1963, (Washington, 1965).



In order to draw any conclusions about the effect of these migrations on the labour force we need to know something about the types of people involved in these movements.

Let us consider immigration first. Reported immigration amounted to 1.820.000 persons of whom 1.000.000 migrated before April 1955 and the balance in 1956-1957 (Table 12). It is assumed that these migrants were from rural areas and that 50% of them were job seekers<sup>(17)</sup>. The gross addition to the labour force through immigration is therefore put at 910.000.

The question of emigrants is less simple. Emigration for the whole period was reported at 1.080.000 and this total was broken down in one official source as follows.

(17) This is suggested by Chang Ching Wen, "Why urban population must be reduced", Kung Jen Jih Pao (Workers Daily), 4.1.1958.

Table 13. Categories of emigrants from Shanghai 1949-1957

	000's
1. Persons assigned to employment in other cities	260
2. Persons (and their families) returned to work in rural areas	780
3. Persons sent to open new land	30
4. Unspecified balance	10
Total ...	1.080

Source: WHP 7.1.1958.

This may be compared with totals obtained by summing the annual data in Table 15.

Table 14. Categories of emigrants from Shanghai 1949-1957

1. Persons assigned to employment in other cities	258
2. Persons (and their families) returned to work in the rural areas	750
Others <sup>a</sup>	50
Total ...	1.058

Source: As table 15.

a. This includes persons sent to open new land and also 10.000 persons who were sent to Labour Reform in 1950. This latter may well correspond exactly to

category 4 in Table 13 above.

The slight discrepancy between the two totals is probably accounted for by the return of refugees in 1950 which was not published at the time.

The breakdown of emigration into annual data for each category is presented in Table 15 below.

Table 15

Emigration from Shanghai, 1949-1957

000's

	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>To- tal</u>
<u>Cat.</u> <u>I</u>		16 <sup>a</sup>			24 <sup>b</sup>	30 <sup>c</sup>	59 <sup>d</sup>	123 <sup>f</sup>	6 <sup>g</sup>	258
<u>Cat.</u> <u>1A.</u>		16 <sup>a</sup>			24 <sup>b</sup>		23 <sup>e</sup>		6 <sup>g</sup>	(69)
<u>Cat.</u> <u>2.</u>	50 <sup>h</sup>						560 <sup>i</sup>		140 <sup>j</sup>	750
<u>Cat.</u> <u>3.</u>					40 <sup>k</sup>					40
<u>Cat.</u> <u>4.</u>		10 <sup>l</sup>								10
										Total ..1.058

Category 1. Persons assigned to employment in other cities.

Category 1A. Persons assigned as category one but described as skilled workers and staff or cadres.

Category 3. Persons sent to open new land.

Category 2. Persons returned to work in rural areas and their families.

Category 4. Persons sent to labour reform.

Sources: data in or derived from,

a.b. "Shanghai industry helps national construction

WHP 27.8.1954. "A large batch of skilled workers in the city give in their names to participate in national key point construction", WHP 22.6.1954.

c. "220.000 workers sent from Shanghai to take part in construction in various places", NCNA, Shanghai, 16.9.1957.

Sung Li Wen, "Report on the implementation of the Shanghai National Economic Plan in 1956 and on the Plan for 1957", HWP 28.8.1957.

d. Sung Li Wen, op.cit in c.

e. To March 1956. "(The Shanghai Municipality Communist Party) decides that in future Shanghai industry will be fully and rationally developed", CFJP 27.7.1956.

f. loc.cit. note c. NCNA, (Shanghai) 16.9.1957.

g. These were all cadres. See, "A new high tide of cadres being sent down (to the country side) from Shanghai", WHP 3.1.1958.

h. "Almost 50.000 refugees have been organised and returned (to their homes in the countryside)",

CFJP 21.8.1949.

i. Chang Jui, "Some views on Shanghai's population and area", WHP 11.2.1957.

j. "Almost 140.000 returned to rural production,  
<sup>HWP</sup>  
WHP 20.12.1957.

k. "The Kansu consolation organisation holds a consolation conference", CFJP 13.2.1957. This article refers to the activities of an organisation responsible for keeping in touch with the Shanghaiese working in Kansu Province.

l. "More than 10.000 men just off to open waste land",  
CFJP 7.3.1950.

We can now estimate the effect of emigration on the labour force. It is assumed that categories 1, 3 and 4 were all members of the labour force. Since those in category 2 were nearly all peasants being returned to their homes, it is assumed that 50% of them were members of the labour force. Thus the total loss to the labour force from emigration amounted to 690.000. This may be deducted from the immigrant addition to the labour force

to leave a net gain of 220.000.

The total number of job seekers

We now have estimates for the addition to the labour force due to natural growth and migration. To obtain the total number of job seekers we must now add the total number estimated to have been unemployed in

1949 and the number who lost employment between that year and the end of 1957. The combined total for these classes of person is 671.000<sup>(18)</sup>. From this however we must deduct something for the number of these latter persons who would have reached the age of 60 by 1957, and who may therefore be considered as having "retired".

(18) Data on unemployment in 1949 and the total generated after that are in "The number in employment rises by 630.000", CFJP 16.8.1957, of the unemployment total 245.000 were persons who became unemployed after 1949. Approximate confirmation of the number unemployed in late 1949 is in, Ch'ang Chiang Jih Pao (The Yangtse River Daily) 20.1.1950. It should be noted that official data on the numbers of registered unemployed in this early period are of little value. The reasons for this are discussed in Chapter 5.

Using the pre-war age structure again, this is put at 176.000.

The demand for labour

We now require a figure for the gross supply of jobs between 1949 and 1957. The official figure for the number of jobs created in Shanghai up to the end of 1956, is 530.000. We can make an adjustment to this to allow for additional employment of all kinds found in 1957. The final total is 640.000<sup>(19)</sup>.

(19) The figure of 530.000 is in, "One person in three has employment", JMJP 19.8.1957. The additional 110.000 for 1957 is an estimate based on data in the following, "The Shanghai Labour Bureau's method of settling the unemployed is a good one", JMJP 7.10.1957. "The city's unemployed find work", HWP 24.6.1957. "Shanghai thoroughly cleans up and reorganises autonomous enterprises", TKP 19.8.1957. "The city's small traders must continue to advance along the socialist road", HWP 18.1.1957. "Concerning the reform of private commerce and supply work", CFJP 17.8.1956. "The numbers of peripatetic peddlers is ever increasing", HWP 27.5.1957.

The total of 530.000 for gross employment up to 1956 compares with a figure of 519.000 which is obtained by summing data for annual gross additions to employment up to the year set out in Table 16 below.

Table 16

Annual additions (gross), to numbers employed in Shanghai, 1949-1957.

000's

<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
74 <sup>a</sup>	40 <sup>b</sup>	70 <sup>c</sup>	30 <sup>d</sup>	66 <sup>e</sup>	5 <sup>f</sup>	0 <sup>g</sup>	234 <sup>h</sup>	110 <sup>i</sup>

a-e. In or derived from data in, "230.000 workers and staff find employment", CFJP 23.9.1952. "The striking achievements in employment work during the last there years", JMJP 13.9.1952. "Illegal hiring of workers", CFJP 19.1.1951. Hsin Wen Tsu, "Correctly understand the new employment policy", WHP 28.6.1954. "The national unemployment situation during the past four years", HMPYK 1954 No.5. pp.157-158.

f. Derived from, "The great achievements of last years employment work", CFJP 9.1.1955.



g. There is no figure known to us for additional employment in 1955. One would not expect there to be any increase in a year in which industrial output fell in Shanghai and small scale activities were reported as depressed.

h. Sung Li Wen, "Report on the implementation of the 1956 national plan in Shanghai and the plan for 1957, HWP 28.8.1957.

i. See note 18.

In using the data in the articles cited above, care has to be taken to ensure that where necessary, deductions are made to eliminate persons introduced to employment outside of Shanghai, i.e. persons in Category I, in Table 15. We can incorporate all the above data into a balance sheet of demand and supply for labour as below in Table 17. It will be seen that we are left with a balance of 635.000, which, it is suggested may be considered an estimate of unemployment in 1957.

Table 17. The supply of job seekers and the supply of nonagricultural employment in Shanghai 1949-1957.

<u>Job seekers</u>			000's
The natural addition to the labour force (net of the educational retention).	560	(43.9%)	
The net migrant addition to the labour force	220	(17.3%)	
Unemployment carried over from before 1949 and generated between 1949 and 1957	495	(38.8%)	
(net of "retirements")			
<u>Total</u>	<u>1.275</u>	(100%)	
<u>The Supply of employment</u>	640		000's
<u>Total</u>	<u>640</u>		
<u>Total unemployment</u>	<u>635</u>		

The estimate of unemployment in the above Table has to be regarded as speculative in view on the uncertainty which surrounds some of the labour supply data. The figure for unemployment carried over and created in particular cannot be too heavily depended

upon, even though it is confirmed by two quite different sources separated in time by seven years. The data for the natural and migrant labour supply and the supply of employment all seem to be fairly reliably based...It should be noted that we have no data which enable us to estimate variation in hours worked or the pattern of employment in seasonal trades and occupations. If such data were available it is probable that seasonal unemployment and the casual nature of employment in the traditional sector would make the total situation look even worse than that indicated by the numbers of those unemployed.

The net change in nonagricultural employment 1949-1957

We can now try to estimate the net change in non-agricultural employment between 1949 and 1957. We do this by deducting an estimate of the net increase in nonagricultural employment from the estimate of total nonagricultural employment for 1957. Total employment in that year is put at 2.418.000<sup>(20)</sup>. Net additional

(20) The number in employment at the end of 1956 was reported as 2.390.000. NCMA. 17.8.1957. We then

(20) (Cont'd )

add 110.000 for additional employment in 1957 and deduct 82.000 for jobs estimated to have been lost in that year. The latter is made up of; (a) an estimated halving of the basic construction work force which in 1957 was only 30.000. (b) 6.000 jobs which disappeared when cadres were sent to the countryside and (c) 46.000 jobs estimated to have been lost on the assumption that one third of the peasants returned to the countryside had some sort of employment before being returned.

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employment since 1949 is obtained by subtracting from 640.000, (as Table 17) estimates of (a) the number of persons who retired in the period <sup>(21)</sup>; (b) the number

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(21) The labour insurance regulations in force up to the end of 1957 specified general retirement for men at 60 and women at 50 or 55 years of age. The regulations only applied by law to enterprises employing 100 employees or more. Thus although most employees in the modern industrial sector would be covered, in Shanghai, one

(21) (Cont'd)

report suggested that only 30% of all those in employment in the city were entitled to retirement benefits. For those covered there were provisions for pensions but these were not high when considered in the light of the fact that even at full wages, many workers were not far from subsistence in the mid-1950's. Moreover there was a built in incentive to stay on in employment if possible since the regulations provided that if an employee was kept on after he was due to retire, then in addition to his wage he should receive a pension amounting to another 10% to 20%. It is not therefore surprising to find that the act of retirement was a rare one. One survey of Shanghai cigarette factories found that the refusal rate averaged 57%. Subsequent to this survey there was a campaign to encourage retirement and of course we have to allow for deaths. Taking these factors into account we have assumed that 55% of the labour force eligible to retire in our period did so or died. The retirement rules under the 1951 and 1953 insurance regulations are in, Labour Insurance Regulations of the People's Republic of China, (Peking, 1952). The 1953 revision of these is in, "Important Labour Laws and Regulations of the People's Republic of

of jobs reported to have been "lost"; and (c) the number of jobs which were transferred to other cities, i.e. the number of assigned persons (Category I in Table 13), who were actually in employment when they were assigned<sup>(22)</sup>. Using these estimates, we reach a figure of 2.195.000 for total employment in 1949<sup>(23)</sup>.

(21) (Cont'd)

China, (Peking, 1961). The 1955 regulations on retirement for employees in Government organs are in Chung Hua Jen Min Kung Ho Kuo Fa Kuei Hui Pien 1955 No.2 (Laws and Regulations of the Chinese People's Republic) (Peking, 1956). Data on the coverage of the insurance regulations in Shanghai is in, "Go to the small factories", CFJP 12.4.1957 and "The livelihood of the city's workers and staff makes further improvement", CFJP 28.9.1956. The cigarette factory survey is in, "The key to fulfilling the 1957 labour plan", LT 1957 No.3.

(22) It is probable that a high proportion of those assigned to work outside Shanghai were unemployed - otherwise the Labour Bureau would not have been so willing to let them go. One report suggested that out of 60.000 workers sent to Lanchow, Sian and Shenyang,

The structure of employment in Shanghai

In Tables 18-21 below we present data on the structure of employment in Shanghai in 1957 and contrast these with data for earlier years. The estimate for 1957 involves a number of assumptions which are somewhat hazardous but the main features of the table are not in doubt. The suspect figures are easily identifiable and there are numerous cross checks on credibility. The main conclusions to be drawn from these tables are discussed in our general conclusions on growth and structural change in the Shanghai labour force.

(22) (Cont'd)

30.000 had been suffering long term unemployment and 18.000 were persons of 18-25 years of age who had completed study but not found work. We have therefore used this proportion to estimate that only 52.000 were employed at the time of assignment. See, "In the first half of the year 110.000 get employment", CFJP 21.7.1956. We add to the 52.000, the 6.000 cadres sent to rural areas in 1957.

(23) The approximate correctness of this figure is confirmed in Ch'ang Chiang Jih Pao 20.1.1950 where a total labour force of slightly over 2 millions is alluded to.



Table 18The Structure of Employment in Shanghai, 1957.

	000's
<u>Total employment</u>	2.418 <sup>a</sup>
<u>Industry, total</u>	899 <sup>b</sup>
of which: modern factory	(770)
: workshop	(129)
<u>Handicrafts, total</u>	258 <sup>c</sup>
of which: peripatetic and household	(38)
: workshops employing less than ten men.	( <del>81</del> <sup>71</sup> )
: individual handicraftsmen and others	(149)
Other small scale production	30 <sup>d</sup>
<u>Construction</u>	30 <sup>e</sup>
<u>Transport, total</u>	177 <sup>f</sup>
of which: the old (pre 1956), public system	(57)
: pedicabs	(40)
: carts	(80)
<u>Stevedores</u>	33 <sup>g</sup>
<u>Commerce, total</u>	533 <sup>h</sup>
of which: old private sector stores	(221)
: peddlers	(240)
: old public sector commerce system	(72)
<u>Food and Services</u>	50 <sup>i</sup>

<u>Table 18 (Cont'd)</u>	000's
<u>Food and Services</u>	50 <sup>i</sup>
<u>Education</u>	72 <sup>j</sup>
<u>Health</u>	30 <sup>k</sup>
<u>Banking</u>	25 <sup>l</sup>
<u>Government, Mass Organisations and other, (residual)</u>	28 <sup>m</sup>

Sources

a. See note 19. This figure represents an increase of about 1% on the figure for 1956. This is almost exactly identical with Emerson's estimate of the increase in all nonagricultural employment in the same period. We have assumed that employment in the agricultural suburbs of Shanghai is not included in the data presented here. The total agricultural population in 1957 was reported as 400.000. See, Chang Jui, "Some views on Shanghai's population and area", WHP 11.2.1957.

b. The total number of workers and staff in workshops and factories at the end of 1957 was given as 970.000. Of these 200.000 were in workshops. We know also that in 1954 there were 71.000 workers in handicraft workshops in the private sector employing less than ten persons. This latter number has been deducted from total factory

and workshop employment. The use of the 1954 survey as an indication of employment at the end of 1957 is open to question since it is known that employment in this sector suffered some decline in the mid 1950's. Against this however, we would argue that the upsurge of 1956 and the continuing high level of small scale production, (licit and illicit), in 1957, probably justify our assumption of a recovery of employment in this sector to slightly above the 1954 levels. (the national data also support this view of <sup>URBAN</sup> ~~men~~ handicraft employment, see Emerson The Profile, page 430). The most difficult problem in estimating employment in the traditional sector is that of trying to sort out changing organizational forms. This is discussed further in note e. Data in, "Total output doubled in five years", HWP 28.12.1957. "The ranks of the Shanghai workers and intellectuals grows strong", WHP 10.1.1958. 1954 Ch'uan Kuo Ke Ti Shou Kung Yeh Tiao Ch'a Tzu Liao (Materials from the 1954 National Survey of the Individual Handicraft Industry) (Peking, 1957), Chapter on Shanghai, pp. 11-22.

c. See, Materials from the 1954 National Survey of the Individual Handicraft Industry. This survey was wider

in scope than its title indicates. The main breakdown is indicated in the Table. The third subdivision includes 20.000 handicraftsmen already in cooperatives. The evolution of the forms of small scale and handicraft production was a complex one which it difficult, if not impossible, to unravel with confidence. In general it appears that in the socialisation of late 1955 and 1956, individual handicraftsmen were put into conventional cooperatives and the small workshops became public-private enterprises. However these distinctions were not always clear cut and thousands of workers moved in and out of handicraft organisations according to the dictates of the economic situation and the prevailing political atmosphere.

d. In addition to individual and cooperative handicraft production we know that there were substantial numbers engaged in small scale production and services as part of unemployment relief work and also in illicit production. Both of these kinds of employment increased sharply in 1957 but it is impossible to judge the extent to which this was at the expense of employment in official cooperatives, if at all. It may have simply been a

substitute for household handicraft employment which could not be incorporated in the ordinary cooperatives. The maximum figure for employment in relief groups and illicit organisations in 1957/1958, was 40.000. We have reduced this to 30.000 to allow for some double counting. Data in, "Shanghai thoroughly cleans up and reorganises autonomous enterprises", TKP 19.8.1957. "Shanghai eliminates the phenomenon of unemployment", JMJP 16.7.1958. "The Labour Bureau reforms its work", HWP 3.8.1957.

e. The numbers employed in construction probably fluctuated very sharply as they did at the national level. Throughout the 1950's the average figure however seems to have been fairly constant. We have a figure of 33.000 for 1950; in 1954 construction employment contracted sharply and at least 10.000 construction workers were transferred to other employment; in 1956 employment in construction must have expanded fairly sharply but in 1957 the number reported in construction work was back to 30.000. Data in, "Summary report concerning the problems of unemployment relief and production", TKP (Hong Kong), 4.5.1950. The figure

in this article is almost exactly confirmed in, Shanghai Chieh Fang I Nien, (A Year of Shanghai's Liberation) (Shanghai, 1950), page 80. "Shanghai industry helps national construction", WHP 27.8.1954. "700 construction sites busy", HWP 28.9.1957.

f. The national survey of workers and staff in 1955 gave a figure of 72.000 for employment in public sector transportation. The number of pedicab men is a figure for 1958 while the number for employment in other non-mechanized transportation is for 1957. The latter two figures have to be treated with some caution although there is no reason to think them **over-**estimates. On the contrary, it was reported that many of the peasants returned to the countryside in 1957 had illicitly engaged in pedicab and transport work so that the figures may be understatements. During the 1950's the process of converting rickshaw men to pedicab men, was completed. It is interesting to compare the figure of 40.000 pedicab men with a figure of 50.000 for the number of rickshawmen in Shanghai in the late 1920's. Although the total number of pedicab men declined in the 1950's, we know that they were still very important in urban areas. A survey in

Canton reported that they undertook 150.000 passenger journeys per day, equal to 2/3 rds of the work done by the public bus system. Data in, "National (Survey) of the numbers, structure and distribution of workers and staff in 1955", TCKT No.23, 14.12.1956, pp. 28-30.

"40.000 pedicab men participate in rectification", CFJP 8.4.1958. "How should we view the difference in living standards between workers and peasants?" WHP 29.10.1957. "Thank you comrade", Kung Jen Jih Pao, (Peking), 6.8.1957. Fang Fu An, "Rickshaws in China", The Chinese Economic Journal, July 1930, pp. 796-808.

g. The only data on stevedore employment are for 1950 and these include the unemployed. One possible guide to employment would be any indication of changes in the volume of foreign trade which passed through Shanghai. We have found two references which claim substantial increases in trade but both of them use 1950 as their base year - a year in which stringent foreign trade controls markedly reduced activity and lead to the unemployment of a third of the stevedores. Trade certainly rose sharply in 1956 and 1957 but the evidence

suggests that it did not prove easy, (especially in 1956), to increase the number of skilled stevadores. We have therefore assumed no net increase in the number of stevadores. See, A Year of Shanghai's Liberation, loc.cit. Sun Ching Chih and others, An Economic Geography of East China, Chapter 5. "Fully use (Shanghai's) existing dock facilities", CFJP 11.8.1956.

h. Data in, "National (Survey) of the numbers, structure and distribution of workers and staff in 1955", loc.cit. note f. "Concerning the reform of private commerce and supply work", CFJP 17.8.1956 and HWP 18.1.1957.

i. HWP 15.8.1956

j. The figure of <sup>71.000</sup>~~42.000~~ is derived from data in, "500.000 Shanghai women participate in construction", WHP 8.3.1957. The 1955 survey (loc.cit. note h), reported 42.000 in the public sector of education. (10.000 of which were in higher education). Since a source for 1950 reports that 30.000 were employed in private sector education in that year, it would seem that employment in this sector remained constant until the socialization of 1956. For



the 1950 figure see, A Year of Shanghai's Liberation, loc.cit.

k. Derived from WHP 8.3.1957, loc.cit. above.

l. The figure of 25.000 is that for 1950. Conflicting forces would have influenced the net change in employment in this sector up to 1957. On the one hand the take-over of the private Banking sector at the end of 1950 would unquestionable have been accompanied by pressure for rationalization which would have reduced employment. However, in late 1952 Government policy was to make enterprises retain redundant personnel until alternative employment could be found. Later in the 1950's employment in Banking on a national scale increased markedly. (See Emerson, Nonagricultural employment, Table I). We have assumed therefore that by 1957 the numbers employed in the banking system were as great as in 1950. This may even be an underestimate. For 1950 see, A Year of Shanghai's Liberation loc.cit.

m. This is a residual figure which should be treated with the reserve appropriate to all residuads. The only

information on employment in Government and Mass Organizations known to us is of an indirect character. This is a report which estimated that the total number of cadres and "non-productives" in 1957 was 470.000.

(This was the number of persons liable to be sent to the countryside or demoted to productive work in the Hsia Fang campaign of that year). If we deduct our estimate of 252.000 from this figure we are left with <sup>198.000</sup>~~218.000~~ cadres and non-productives. This would have represented about 10% of the work force - a reasonable figure since we know that this was almost exactly the proportion of cadres and non productives in industry alone.

Table 19. The structure of employment in Shanghai by  
main sectors in 1957

<u>Sector</u>	<u>%</u>
Agriculture <sup>a</sup>	6.2
Factory production	29.8
Traditional production	16.2
Transport and Communications <sup>b</sup>	8.1
Construction	1.2
Commerce	20.7
Food and services	1.9
Education, wealth, banking	15.9
	<hr/>
	100

Sources:

a. This assumes that 40% of the rural population were wholly engaged in agricultural work.

b. includes stevedores

Other data as Table 18.

Table 20. The structure of nonagricultural employment in Shanghai by

traditional and modern sectors 1957.

000'

<u>Modern sector</u>	<u>Totals</u>	<u>%</u>	<u>Traditional sector</u>	<u>Totals</u>	<u>%</u>
Industry	770	56.2	Workshop industry	129	12.3
Construction	30	2.2	Handicrafts <sup>b</sup>	288	27.5
Transportation and communication <sup>a</sup>	89	6.5	Transportation	120	11.4
Commerce	72	5.3	Commerce <sup>c</sup>	461	44.0
Education, wealth, banking and other	407	29.8	Food and services	50	4.8
Total .....	1,370	100	Total .....	1,048	100

Sources: As Table 1.

a. includes stevedores.

b. includes "other" small scale production.

c. includes a few persons engaged in stores which should be classified as modern.

Table 21. The structure of nonagricultural employment in Greater Shanghai in 1930 contrasted with data for 1957.

<u>Sector</u>	<u>1930 %</u>	<u>1957 %</u>
Production	36.7	49.1.
Commerce	19.7	22.0
Education, Health,		
Banking and Government	9.9	16.9
Other	33.7	12.0
	<hr/>	<hr/>
Total ;....	100.	100.

Sources: for 1930, Statistics of Shanghai. Table 6.  
For 1957, as Table 18.

The growth and structural change of the Shanghai labour force: conclusions.

The materials presented above are sufficient to give a fairly clear picture of employment trends in Shanghai in the period 1949-1957, and in some respects it is possible to make interesting comparisons with the early 1930's<sup>(24)</sup>.

Total employment as a percentage of population is estimated to have declined over the whole period. For 1930, employment is estimated to have been 50% to 60% of population. By 1949 we estimate that it had fallen to 45.2% and by 1957 to 35.8%. These data

(24) In this summary data for 1930-1933 are from D.K.Liu, The Growth and Industrialization of Shanghai and H.D.Lamson, "The People's Livelihood as revealed by family budget studies", Chinese Economic Journal, May 1931, Data for 1949 are in, A Year of Shanghai's Liberation, pp.80-81. Data for 1957 as Table 18.

include rural population and agricultural work force although by 1957 these were both comparatively insignificant.

On the supply side we estimate that the labour supply grew at an average of 1.9% per annum and our data enable us to break this down in some detail. The relative share of the natural and migrant sources of supply suggest that the migrant share was somewhat lower than might have been expected. Migrants accounted for only 17.3% of total labour supply which may be compared with a figure of 44.5% suggested by Emerson in his use of Sung P'ing's data. In Shanghai the key to this matter is the large difference between gross and net immigration; so that the low share of migrants in the growth of the labour force over the whole period is likely to <sup>have been</sup> be a reflection of the periodic success of the Shanghai authorities in persuading peasants to return to the rural areas.

In the longer run, the growth of the indigenous labour force will be determined by the natural population growth rates. During our period this was 3.4% per annum. On the demand side we estimate that nonagricultural

employment grew at 1.2% per annum in 1949-1957 compared with 1.3% in the period 1930-1949. Relating demand and supply we find that the increase in nonagricultural employment was only sufficient to absorb 44% of the natural increase in the labour force. This together with evidence of net immigration explains our estimate of a substantial increase in unemployment. By 1957 we estimate that unemployment amounted to 20.8% of the labour force.

For projection into the post 1957 period the employment growth rate of 1.2% should be compared with the natural population growth rate of 3.4%. This comparison suggests that unless radical changes took place, intensification of the unemployment problem in Shanghai **must** have occurred in the 1960's.

The data on the structure of the labour force are interesting because they suggest that by 1957 Shanghai had a high proportion of its labour force in production of all kinds and that this sector has been a dynamic one over the period 1930-1957. As a proportion of total employment, employment in production rose in this period from 36.7% to 49.1%.



During these years employment<sup>in</sup> industry grew very fast. Between 1931 and 1949 the growth rate was 5.6% per annum and between 1949 and 1957 it was 4.4%.

The other dynamic sector after 1949 was that comprising the modern Government and services sectors (i.e. Government, health, education and banking). The share of this sector rose from 7.8% of total <sup>employment</sup> population in 1949 to 16.9% in 1957. This required an annual growth rate of 11.6% almost two and a half times that achieved by industrial employment.

On the basis of data on sectoral employment change and the balance sheet in Table 17, we estimate that the Government and industrial sectors accounted for 93% of all new jobs in Shanghai in the period 1949-1957. This implies decline and stagnation in the other sectors, a conclusion which is substantiated by a mass of fragmentary evidence. We would estimate that there was probably a slight increase in handicraft employment but a decrease in the traditional commerce sector.

Part 3. Data for other cities.

It has not been possible to collect data from other cities as comprehensive as those constructed for Shanghai. However some was found and a summary of urban population growth rates and a crude measure of employment change in thirteen cities is shown in Table 22. Shanghai and national data are included for comparison.

The variety of population experience is clearly visible in the table. The employment indicator consists of an estimate of annual population growth <sup>(absolute)</sup> divided by the average number of persons whose employment problem was said to have been "solved". Both these types of data are available for the thirteen cities for various periods in the 1950's and annual averages were taken from the most comprehensive group of years available up to 1957. Most of the employment data were published in 1957 and was frequently part of a defence of the economic achievements of the regime. It is certain therefore that the data would try to show the employment improvement in the best possible light.

The phrase usually used to describe employment growth is that x persons were "placed", (an shu).

Examination of this term in a fairly large number of contexts has lead us to the view that this includes all persons who, (a) were found jobs by the Labour Bureau, (b) found jobs themselves of which the Bureau was informed and (c) persons who were given assistance to return to the countryside excepting those that who were moved back in the mass migrations of 1950, 1955 and 1957. It is important to note therefore that these figures do not give a direct indication of the employment generated within the individual cities because category a. includes persons directed to jobs in other cities. Comparison of the different ways of describing the Shanghai employment performance brings out the exact significance of this distinction.

Table 22. Population growth and employment change in selected cities

	(a) Population growth rate (% p.a. compd) 1948 to 1958	(b) 1938 to 1948	(c) 1948 to 1958	(d) 1953 to 1958	(e) 1948 to 1953	(f) 1948 to 1958	(g) population growth employment growth
			(d.b)			(d.e)	
<u>Amoy</u>	7.7	2.4	3.2	6.5	7.3	.9	6.6
<u>Anshan</u>	19.6	3.3	6	8.7	27	.3	5.4
<u>Canton</u>	4.9	1.6	3	3.2	7.2	.4	1.9
<u>Changchun</u>	4.6	5.8	.8	3.	6.3	.5	5
<u>Chengtu</u>	6.4	4.8	1.3	9.4	3.4	2.8	5.8
<u>Chungking</u>	8	6.6	1.2	4.1	12.1	.3	4.4
<u>Foshan</u>	2.3	-3.4	-	-.4	4.9	-	1.5
<u>Foochow</u>	6.5	0	-	2.5	10.8	.2	2
<u>Hangchow</u>	3.4	0	-	2.7	4.1	.7	2
<u>Harbin</u>	7.7	4.9	1.6	8.2	11.2	.7	2.3
<u>Lanchow</u>	13.7	5.3	2.6	13	14.3	.9	-
<u>Nanking</u>	1.7	10.8	.2	5.9	- 2.3	-	1.2
<u>Paoou</u>	19.6	-	-	26.8	12.7	-	-
<u>Peking</u>	9.9	.2	.05	8.5	11.6	.7	11.5

Table 22 (Cont'd)

Population growth rate	(a) 1949 to 1958	(b) 1938 to 1948	(c) a	(d) 1953 to 1958	(e) 1948 to 1953	(f) d	(g) population growth employment growth
			b			e	
<u>Shanghai</u>	2.3	2.1	1.1	2.3	3.5	.7	2.4
<u>Shenyang</u>	8.0	3.8	2.1	1.	15.6	.06	8.5
<u>Sian</u>	10.5	8.7	1.2	11.7	9.3	1.3	-
<u>Tsinan</u>	4.3	2.	2.2	5.4	3.4	1.6	4.9
<u>National</u>	7.1	-	-	6.8	7.4	.92	4.3

Sources for Table

Amoy. (Province of Fukien, 1957 pop. 224,000). Cols. a-f. Morris B.Ullman, Cities of Mainland China 1953 and 1958. Table 3, page 35. (Hereafter referred to as Ullman). Col. g, Ullman and, "No unemployment in Amoy and Changchou", Fu Feng, (Fukien), 17.10.1958. (U.R.l. File No.14132).

Anshan. (Province of Liaoning, 1953 pop. 549.000). Ullman op.cit. and "The whole city basically eliminates unemployment", JMJP 14.8.1956.

Canton. (Province of Kwan tung, 1953 pop. 1.693). Cols. a-f, Ullman op.cit. Col.g, Data is for 1950-1956, in "Canton City's population 1.780.000", TKP (Hong Kong), 5.11.1957. "Canton City's population 1.650.000", TKP (Hong Kong) 1.1.1957. Employment data in NFJP 29.11.1956.

Changchun. (Province of Kirin, 1953 pop. 855.000). Cols a-f, Ullman op.cit.

Chengtu. (Province of Szechuan, 1953 pop. 857.000). Cols. a-f Ullman op.cit. Col.g. data for 1949-1956. See, "Brilliant and rapid achievements in urban

construction", Chengtu Jih Pao (Chengtu Daily) 12.9.1957.

"The municipal and provincial labour departments investigate the employment problem", Chengtu Jih Pao 23.5.195<sup>7</sup>

Chungking. (Province of Szechuan, 1953 pop. 1.772.000).

Cols. a-f, Ullman op.cit. Employment data in, "See the improvement in the people's livelihood from the increase in employment and wages", Chungking Jih Pao (Chungking Daily) 12.8.1957.

Fatshan. (Kwantung Province, 1953 pop. 122.000). Cols. a-f Ullman op.cit. Employment data in, "In the past year 4.000 persons got employment in Foshan", NFJP 3.2.1957.

Foochow. (Fukien Province, 1953 pop. <sup>553.000</sup>~~553~~). Cols. a-f Ullman op.cit. Employment data for 1952-1956 in, "There are many ways of solving the unemployment problem", Chekian Jih Pao (Chekian Daily) 27.9.1957.

Hangchow. (Chekian Province, 1953 pop. 647.000). Cols a-f Ullman op.cit. Employment data in a cartoon, "80.383 men get work", Hangchow Jih Pao (Hangchow Daily) 27.9.1957.

Harbin, (Heilung Kiang Province), 1953 pop. 1.163.000)  
Cols a-f Ullman op.cit. Employment data is for the  
growth in the numbers of workers and staff between 1952-  
1956. This category would seem to be more representative  
of the total working population than would be the case in  
say Shanghai; workers and staff and their families in  
Harbin accounted for nearly 80% of the population.  
Data in, "The budget out-turn for 1955 and the budget for  
1956", Heilungchiang Jih Pao (Heilungchiang Daily)  
18.12.1956.

Lanchow. (Kansu Province, 1953 pop. 397.000). Ullman  
op.cit.

Nanking. (Kiangsu Province, 1953 pop. 398.000). Cols.  
a-f Ullman op.cit. Population data for 1950 is from  
The Newspaper Readers Handbook, 1950. Other data in the  
Provincial Labour Report for Anhui, Anhui Jih Pao (Anhui  
Daily) 30.9.1957.

Paotow. (Suiyuan Province, 1953 pop. 149.000). Ullman  
op.cit.

Peking. (Hopoh Province, 1953 pop. 2.768.000). Cols a-f  
Ullman op.cit. In Col.g. Population growth is for 1949-  
1956 and employment growth for 1950-1957. See, "The  
urban population must be controlled", JMJP 27.11.1957



and "Little statistics", JMJP 19.8.1957.

Shanghai. (Kiangsu Province, 1953 pop. 6.204.000).

Cols a-f Ullman op.cit. (Except for the 1948 population figure for which we have used a figure given in San Ching Chih, An Economic Geography of East China op.cit. page 44.

Shenyang. (Liaoning Province, 1953 pop. 2.300.000).

Cols a-f Ullman op.cit. Col.g. "The Newspaper Reader's Handbook loc.cit. and "The number who got employment in 1956 was twelve times the number who got employment in 1955", Shenyang Jih Pao (Shenyang Daily) 2.8.1957.

Sian. (Shensi Province, 1953 pop. 787.000). Ullman op.cit.

Tsinan. (Shantung Province, 1953 pop. 680.000). Cols. a-f Ullman op.cit. Employment data in, "From the Tsinan employment situation refute rightist lies", Ta Chung Jih Pao, (Tsinan) (Masses Daily) 16.7.1957.

National data from Tables 23 and 24.

Part Four. National Data.

In this last section we present a brief survey of data on urban employment growth, the demand and supply for employment and the extent of unemployment.

Urban Population.

Table 23. Urban population 1949-1957.

000's

<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
57.650	61.690	66.320	71.630	77.670	81.550	82.850
		<u>1956</u>	<u>1957</u>			
		89.150	99.500			

Source: "Statistical materials on our country's population 1949-1956. TCKT 1957 No.11 14.6.1957. The figure for 1957 is derived from information in, "A tentative discussion of the relationship between socialist urban population increase and the development of agricultural and industrial production". Kuang Ming Jih Pao (The Enlightenment Daily), 7.10.1963.

These data represent an annual compound rate of growth of 7.1%. Intermediate rates for 1949-1952 and 1953-1957 are 7.4% and 6.8% respectively. Total growth of 41.000.000 for the whole period is indicated, of

which 27.870.000 was within the First Five Year Plan period. Of this latter total, an important article by Sung P'ing suggested that migration to urban areas accounted for 8.000.000<sup>(25)</sup>.

The supply and demand for urban employment

Comprehensive national data for the whole period are not available. For the period of the First Plan however, Emerson has used Sung P'ing's data. Sung P'ing estimated that the indigenous increase to the labour force during the Plan was 1.000.000 persons per year. Emerson combines this figure with the figure of 8.000.000 rural-urban migrants (using the assumption that 50% of migrants were job seekers), to produce an annual addition to the urban labour force of 1.800.000.

On the demand side we present first Emerson's estimates for all non-agricultural employment, and an index based upon them.

(25) Sung P'ing, HH 1957 No.12 op.cit.

Table 24. Nonagricultural Employment 1949-1957.

000's

<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
26,267	30,314	34,730	36,752	39,116	39,750	38,864	39,366	39,667
100	115	132	140	149	151	148	150	151

Source: Nonagricultural Employment in Mainland China, page 128.

As discussed earlier while this series includes all urban non-agricultural employment it also includes data on nonagricultural employment in rural areas. Emerson has no estimate of the proportion of nonagricultural employment in urban areas. The only urban employment figures he has are data for persons classified as workers and staff. These have been obtained by applying to the totals a coefficient of 84%, which a Chinese source has suggested as the urban share of persons in these categories.

Table 25. Workers and Staff in Employment 1949-1957. Urban and Rural.

000's

<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
8.004	10.239	12.815	15.804	18.256	18.809	19.076	24.230	24.506
100	128	160	197	228	235	238	302	306

Using this basic series, Emerson estimates the supply of urban employment during the First Plan period at 1.400.000 annually. This approach to the supply of employment is certainly of interest but it cannot be considered satisfactory. First, on the supply side, Sung P'ing's data on indigenous urban labour supply are a net figure which appear to imply that workers retired at 60 according to the insurance regulations. But there is abundant evidence that many did not and in estimating net employment change in Shanghai we assumed that only 55% retired according to the regulations. Also on the supply side, there can be no question but that Sung P'ing's migration data are extremely crude. On the demand side Emerson's estimate is unsatisfactory because it equates employment of workers and staff with total employment when on his own data, workers and staff only account for 62% of all nonagricultural employment. Incorrect results can obviously follow from this latter procedure since not only are the two totals found to be different in urban areas, but they may even have moved in opposite directions. For example we estimate that this happened in Shanghai in 1957 when total employment rose slightly,

while employment of workers and staff is estimated to have declined<sup>(26)</sup>.

The Measurement of Unemployment.

Official estimates of urban unemployment have never been published on a consistent and regular basis. There are scattered official data for years between 1949 and 1957 and these appear to be either figures for the total number of registered unemployed or to be more broadly based estimates of all categories of urban unemployment in the main cities. Data of the latter kind claimed a total of urban unemployment of about 3.000.000 in the early 1950's and 1.000.000 in early 1956<sup>(27)</sup>.

(26) The increase was in small scale production, commerce and possibly transportation. The decrease consisted of 6.000 cadres sent to rural areas and Hsia Fanged peasants.

(27) A figure for 1949 is in, "The Road to employment is a broad one", JMJP 19.8.1957. A 1956 figure is in, Liao Lu Yen, "An explanation of the National Plan for Agricultural Development 1956-1967" reprinted in, 1956 Nien Tao 1967 Nien Ch'uan Kuo Nung Yeh Fa Chan Kang Yao (Tsao An) (The National Plan for Agricultural Development 1956 to 1967, Draft) (Peking, 1956).

Emerson has made an attempt to estimate the growth of urban unemployment during the First Plan period by the method discussed in the previous section - that is by deducting the average annual addition to the numbers of urban workers and staff from Sung Pi'ng estimates of total urban labour supply. This may be described as a flow approach to unemployment measurement, and Emerson's result is an estimate that urban unemployment grew by "at least 400,000" per annum. Interesting as this estimate is, we cannot accept it for the same reasons that we could not accept his estimates of labour supply and employment growth. Liu and Yeh have followed a stock approach to the problem<sup>(28)</sup>. They start by estimating nonagricultural population which is done by deducting an estimate of agricultural population from total population. An estimate of the male nonagricultural labour force is then derived from nonagricultural population, and an estimate of nonagricultural employment deducted from this. This yields a figure for total nonagricultural unemployment which Liu and Yeh then distribute between rural and urban areas.

(28) Liu and Yeh pp. 102-103.



Table 26

Population, Labour Force and Unemployment 1952 and

1957      (Millions)

	<u>1952</u>	<u>1957</u>
<u>Total population</u>	569	637
<u>Agricultural population</u>	350	381
<u>Nonagricultural population</u>	219	256
rural	150	167
urban	69	89
<u>Nonagricultural population</u>		
age 12-64	144	168
rural	99	110
urban	45	58
<u>Nonagricultural students</u>		
age 12 and over	3	7
rural	1	3
urban	2	4
<u>Nonagricultural labour</u>		
<u>force</u>	141	161
rural	98	107
urban	43	54
male	73	84
female	68	77
<u>Nonagricultural workers</u>	59	64
male	48	52
female	11	12

Table 26 (Cont'd)

(Millions)

	<u>1952</u>	<u>1957</u>
<u>Unemployed male</u>		
nonagricultural workers	27	32
rural	18	21
urban	9	11

Source: Liu and Yeh, page 102.

There are four important possible objections to this calculation. First, unemployment is calculated as a residual figure which in relation to the starting point of total population is minute. A slight error in reaching the residual would therefore make a very substantial difference to the final result. Second, the estimate of nonagricultural population depends directly on the assumption that labour productivity in agriculture remained constant over a twenty five year period during which there was substantial technical and institutional change. This assumption is unacceptable without evidence of a more concrete character than that offered. Third, the Liu-Yeh estimate of urban unemployment depends on the correctness of the assumption that the rate of unemployment is the same in urban and rural areas. Not even intuitive evidence is offered for this supposition. Finally, the Liu-Yeh stock approach has the important disadvantage that it cannot make any distinction between women of working age who wish to enter the labour force and are unable to do so (who may therefore be considered unemployed) and those women who are satisfied to remain engaged in domestic activities.

Since, in the post 1949 period we know that there were many females willing but unable to enter the labour force, the inability to handle female unemployment must be considered unsatisfactory.

Emerson has no final totals for unemployment so that we cannot make a direct comparison between his results and those of Liu and Yeh. However, we can compare their estimates of the increase on unemployment during the First Five Year Plan period. Liu and Yeh are the more pessimistic. They suggest an increase in male unemployment in the urban areas of 4 millions which may be compared with Emerson's figure of 2 millions for the same period.

The growth and structure of the urban labour force in all urban areas: conclusions.

From the foregoing discussion it can be seen that there is not a great deal that can be said about employment change in all urban areas - the data are too inadequate. All the estimates agree that structural unemployment was growing between 1949 and 1957, but the details of the supply side are too imprecise to make satisfactory quantification possible.

Within total urban employment growth, industrial employment was clearly a dynamic sector since it grew at 12.6% per annum compared to a growth rate of 5.3% per annum of total nonagricultural employment (an indicator of total urban employment growth). But although industrial employment grew rapidly, the small initial size of the industrial base meant that this growth did not have a large effect on the total employment situation, as a proportion of urban population, industrial employment rose only from 5.3% to 8.0% in this period.

Traditional sector employment appears to have been fairly stagnant although within this sector there was probably a slight absolute rise in handicraft employment and a decline in commerce.

In conclusion, it should be noted that both non-agricultural employment and industrial employment growth slowed markedly after 1953. The former rate dropped from 11.9% to 1.6% and the latter from 19.8% to 8.5%.

Now that we have established as far as possible the statistical dimensions of employment change in China's cities, we can turn to the analysis of the determinants of this change and its significance for the organisation of the urban labour market.

### Chapter Three

#### The problem of structural unemployment

#### The demand for labour

In the last chapter we discussed the problems of measuring urban employment change and presented some estimates of unemployment for all urban areas together with data for Shanghai. Both local and national data leave much to be desired but they all confirm the structural character of the unemployment problem and suggest that by 1957 unemployment had reached high levels.

The main difficulty in making unemployment estimates was found to be the construction of satisfactory estimates of labour supply. The data on the demand side were more firmly based and all these all confirm slow rates of overall employment growth, particularly after 1952. How can we explain this slow rate of labour absorption between 1949 and 1957? On the demand side three factors seem important: the size and structure of the investment programme in the modern sector; the growth of labour productivity; and the performance of the traditional sector. Let us

consider these in turn.

The size of the modern sector investment programme was important because other things being equal this determined the growth of modern sector employment. The structure of the programme was relevant not only because of the employment implications of alternative inter-sectoral strategies, but also because choice of projects involved determining average capital intensity and gestation periods.

Up to the end of 1951, lack of rigid ideas about the structure of industrial growth, and the availability of excess and slightly damaged capacity, enabled the Government to keep investment costs low and gestation periods short. The result was high rates of growth of output and employment in the industrial sector, to which were added the employment effects of a lenient policy toward the private sector and traditional sectors. prior to mid 1952. Emerson's data for industrial employment show that it grew at 22.6% between 1949 and 1952 and the Shanghai data also show 1949 and 1951 as years of fairly high absorption. (See Table 16, Chapter Two).

The first three years of the First Plan however, were marked by a sharp decline in absorption rates which contributed to a series of upheavals between 1956 and 1958. This decline was partly due to special factors which depressed activity but was also related to the adoption of an investment strategy which although ~~ambitions~~<sup>u</sup> in terms of the target rate of growth, involved concentration in sectors and projects where capital intensity was high and growing and where gestation periods were relatively long<sup>(1)</sup>. We are not

(1) The employment expectations of the First Plan are discussed further in Chapter Five. In 1952 capital intensity in the light and heavy sectors of industry was approximately the same. By 1955 one set of figures suggested that capital intensity in the eight main heavy sectors had increased by over 50% whereas the increase in the paper and cotton industries (taken as representatives of light industry), was only 7%. See, "The technical level of our country's industrial output", HHPYK 1957, No.12, page 115. Gestation periods in light industry were much shorter than in the heavy



concerned with the detailed argument behind this strategy here, but the main determinants of it were the character of the Sino-Russian economic aid agreement; the economic implications of the drive for autarchy and military strength; the rationality of a policy which minimised indigenous skilled labour and management requirements and a general drive for modernity and large scale operation. These factors are an adequate explanation of the choice of strategy in 1953, although simply listing them evades the issue of their relative importance. Our view is that the managerial and skilled labour shortage was probably a good deal more important in determining the actual outcome than it has

(1) (Cont'd)

sector. Typical heavy sector projects were estimated to have gestation periods of three to four years compared to between one and two years for light industry investments. For heavy sector data see, "Livelihood must be subordinated to the development of production", WHP 17.12.1953. For light industry see, Hu Ming, "Dig out the potential in light industry", CHCC 1956, No.5, 23.5.1956.

been given credit for. For it is worth noting that although the industrialization debates of 1952-1953 determined the plans for those years and the general character of the Plan for 1953-1957, there was an area outside and supplementary to the main, "key point", projects where the usual explanation of capital intensity were not necessarily applicable. Yet even in these areas the drive to capital intensity is visible, An interesting example of this is the construction industry, in which capital intensity doubled between 1953 and 1955 while numbers employed declined absolutely - leading to identifiable unemployment about which the authorities were very concerned. Yet this increase in capital intensity cannot be wholly explained in terms of Soviet influence, technological standards set in the defence sector, inflexible complementarities etc. Indeed, construction is an industry where the possibilities for varying capital intensity are considerable, and since unemployment was a problem of particular seriousness during 1954-1955, the policy of capital substitution seems extraordinary. It is possible that humanitarian factors entered into it, since some construction tasks are extremely unpleasant without a

degree of mechanisation, but we think that the main drive for mechanisation came from management cadres in the industry. These cadres were faced with skill shortages and labour management problems of peculiar difficulty and in the context of these, capital substitution makes sense(2).

(2) See, "The basic situation of our country's construction industry", TCKT No.24, December 1956. "Strive to do labour assignment work well in 1955", LT 1955, No.1, and "Important tasks in current labour assignment work", LT 1955 No.8. The problems of labour management in the construction industry are discussed in Chapters Four to Six.

Although the First Plan investment strategy had to be basically adhered to, in the latter part of the Plan period it was subject to two important modifications of relevance to employment. First, in 1956 there was a revision of the inter-sectoral investment allocation in favour of light industry which, since capital intensity in this sector was lower and gestation periods shorter than in heavy industry, had favourable implications for employment absorption. Second, in 1957, the investment plan for that year laid new emphasis on the importance of diverting resources to labour intensive techniques of production even if this involved loss of quality of output, loss of face for cadres managing enterprises which did not meet the full requirements of modernity, and also, by implication, loss of re-investible surplus per unit of capital. The 1957 Plan was therefore the first occasion on which the investment plan for the modern sector was explicitly modified for employment reasons.

Let us now consider the effects of productivity growth on employment absorption. Productivity is closely related to capital intensity and the relationship

between industrial output, labour, capital and productivity at the national and Shanghai levels during the First Five Year Plan period is set out below in Tables 27 and 28. In Table 27 the data take the form of indexes and in Table 28, the indexes of output, labour and capital are converted into growth rates and two estimates are made of the productivity residual by using two alternative weightings for capital and labour.

Table 27. Industrial output, capital and labour  
1952-1957 (National and Shanghai)

	<u>National</u>	<u>Shanghai</u>	<u>1952 = 100</u>
Output	209.6	194	
Labour	149.5	151	
Capital	231.9	104	
Capital per head	155.1	69	
Output per head	140.2	129	
Output per unit			
of capital	90.5	183	

Sources: National data are from, Michael Field,  
"Labor productivity in industry", in Eckstein,  
Galenson and Liu Economic Trends in Communist China,

Table 27 (Cont'd)

Tables 3 and 7. Shanghai data are from "Total output doubled in five years", HWP 28.12.1957.

Table 28. Growth rates of output, labour, capital and productivity, 1952-1957 (National and Shanghai)

	<u>National</u>	<u>Shanghai</u>
Output (growth rate)	16.00%	14.17 %
Labour	8.45%(.7)(.487)*	8.59%(.7)(.487)
Capital	18.33%(.3)(.513)	.79%(.3)(.513)
L and C	11.42%	6.25%
Residual	4.58% or 2.49%	7.92% or 9.58%

\* The two labour weightings used here are (a) the "arbitrary" weighting used by T.C.Liu to estimate the Domestic Product productivity residual and (b) Eckstein's estimate of the proportion which the industrial wage bill bears to the net product of industry. This latter seems the more logical weight and is in line with the S.R.Denison's technique for estimating the sources of American and European growth. It may also be noted that Liu's chosen residual may not be

At the national level, output growth is seen to be the result of capital, labour and productivity growth (as measured by the residual). Capital intensity and output per man are shown to have risen, while output per unit of capital fell slightly. For our purposes, the main implication of these data is that during the First Plan period productivity increase had an adverse effect on employment absorption, although from the planners point of view this may have been perfectly rational when the cost of additional employment and the relationship between this and the savings generated in the industrial sector were taken into

Table 28 (Cont'd)

so arbitrary after all, since it is fairly close to the labour share of the American and European national incomes. See, T.C.Liu in, The Profile, op.cit. pp. 62-63. Alexander Eckstein, The National Income of Communist China, (New York, 1961) page 79. Edward F.Denison, Why Growth Rates Differ: Post-war experience in Nine Western Countries, (Brookings Institution 1967).

account. For, if we suppose that for given rates of output and capital growth, there is some feasible area of choice between additional employment and additional productivity, the planners will choose that combination of the two which equalises their valuation of the savings made possible by additional productivity and the social benefits of the additional employment generated. In terms of employment this involves a choice between the present and the future; for the more employment is increased immediately, the less savings there will be to increase future employment through capital formation. In general the Chinese planners seem to have had a preference for productivity over employment and the long run over the short.

Examination of the Shanghai data provides a number of instructive contrasts with the national data. Basically, it can be seen that in Shanghai we have a process which may be described as growth without investment; in this process the sources of increased output are labour and productivity. The increase in the latter was so great, that although Shanghai had virtually no increase in capital (while the national stock doubled)



the city achieved a growth rate at least two thirds as large as the national average with an employment increase about the same as the national average. How was this done? How was it possible to add increasing quantities of labour to a fixed capital stock and simultaneously achieve an astonishing growth of productivity? Our view is that it was done in three ways. First, by increasing the utilisation of capacity through the extension of shift work and similar devices; second, by increasing work intensity; and third, by improving the rationality of labour utilisation.

Two important conclusions can be drawn from this. First, the extreme contrast between the Shanghai and national data underline the importance of geographical disaggregation for the analysis of problems such as the kind we have been discussing. For, since the proportion of national industrial output produced in Shanghai and similar cities is substantial, it is apparent that the data (and consequently the problems) in cities where capital accumulation was taking place, must, by comparison with the national data, appear as abnormal as those for Shanghai. In a sense therefore, the national data are a fiction. For example, the productivity residual

residual in cities where capital was growing must (if the national and Shanghai data are correct) have been very low, possibly even negative. If this was so, it would bring part of Chinese experience back in line with that of the Soviet Union, where during the First Plan output, capital and employment increased very rapidly, while output per head declined. This similarity could not be appreciated from inspection of the national data.

The second point to notice is that growth of the Shanghai variety is not self sustaining; for without additional investment there will come a point when output, and even more, employment growth, will slow dramatically. Output growth will slow when the possibilities for increasing the utilisation of plant through shift work are exhausted and again if diminishing returns to campaigns to increase labour productivity begin to set in. Employment growth is also bound to be checked when the limits of plant utilisation have been reached, since beyond this point, it is probable that further employment absorption will only be possible at the expense of productivity - increases of which we have already suggested the Chinese planners tend to value highly.

One last question which we have to ask is whether the demand for labour was wage elastic. Was capital intensity a response to high and rising wage rates? This is an extremely difficult question to which we can only suggest a preliminary answer. Our view would be that in the modern sector, wages were not a factor determining employment, other than in the sense that the total wage bill and concomitant costs limited investment and the cumulative growth of employment. However, in the traditional sector wages were of relevance. The modern sector tended to set standards for wages and non-wage benefits which small scale enterprises could not always match, but which workers and the Labour Bureaux often expected them to treat as norms. This must have limited employment absorption even though other factors governing the general level of activity in the small scale sector were of much greater employment significance.

We now have to consider the extent to which the employment problems implied by the plan strategy for the modern industrial sector were understood and alleviated by measures to support employment in the non-industrial sectors, i.e. the traditional, small scale

production and commerce sectors and the Government sector. The data suggest that of these, only the Government sector showed any sign of significant expansion<sup>(3)</sup>. The failure of the traditional sectors to grow was probably due both to an innate hostility to private and small scale activity of any kind and to the fact that expansion of small scale activities lead

(3) Emerson's national data show a modest rise of employment in the Government and Mass Organizations sector between 1952 and 1957. Our figure of 232.000 for Government sector employees in Shanghai in 1957, compares with a figure of 75.000 for employees in the City Government and Organs in 1950. Even allowing for the probability that our residual figure includes persons not in the Government sector, and that the 1950 figure is probably an underestimate, substantial expansion seems to have taken place. The probability of such expansion is increased by the fact that there were periodic attempts to absorb surplus urban labour into the Government sector. See, "The striking achievements of labour employment (work) in East China", CFJP 10.9.1952.

to general loss of control and the diversion of resources from investment and the public sector to consumption and the private sector. During the First Plan period, the fulfillment of the plan for the public sector was given absolute priority irrespective of the implications of this for the traditional and small scale sector and for consumption and urban employment.

The importance of the traditional sector for urban employment can be seen in quantitative terms by looking at data on the structure of employment. At the national level, the problem can only be approached by looking at the relative insignificance of employment in industry. The national data show that such employment amounted to only 8% of total urban population in 1957<sup>(4)</sup>.

(4) Emerson, Nonagricultural Employment, Table 1, page 128. Urban population Table 23, Chapter Two. We have no detailed estimates of the structure of employment in all urban areas. This is one of the basic deficiencies of the existing national employment estimates. Emerson's figures for all handicraft, trade food and drink industries show a stagnant employment situation.

A comparison of Shanghai and national data shows that factory employment as a percentage of population in Shanghai was above the national average for all urban areas and this is in line with other indicators of the city's relative economic maturity. The implication of this is that in many other cities the importance of the traditional sectors must have been even greater. Fragments of evidence for Peking and Canton confirm this<sup>(5)</sup>. In Canton in 1954, factory employment amounted to only 6% of the population and in Peking in 1949, it accounted for only 10% of all employment and only 3.4% of the total population. These data are summarized in the Table below.

(5) Data for Canton are in, NFJP 12.12.1955. For Peking, see, "An announcement of the Peking City Government", JMJP 17.11.1949.

Table 29. Factory employment as a % of total employment and of population in urban areas.

<u>as a % of population</u>	<u>1931</u>	<u>1949</u>	<u>1954</u>	<u>1957</u>
<u>National</u>	-	5.3%	-	8%
<u>Shanghai</u>	7%	10%		11%
<u>Canton</u>	-	-	6%	-
<u>Peking</u>	-	3.4%	-	-
<u>as a % of employment</u>				
<u>Shanghai</u>	14%	23%	-	32%
<u>Peking</u>	-	10%	-	-

This evidence, fragmentary as it is, does indicate the importance of the non-industrial sectors for employment. Comprehensive evidence of employment change in the traditional sector in urban areas is not available. But as described in Chapter Two, such evidence as we have nearly all suggests decline or at best stagnation of employment between 1949 and 1957. There were increases in employment in 1951 and 1953, a sharp decline in 1954 and 1955, followed by a revival in some traditional sectors in 1956 and 1957, This revival itself being partly motivated by employment considerations(6).

(6) Data on fluctuations are discussed in the next Chapter. Data on trends in traditional employment include information on, handicrafts, services, commerce and transport. For Shanghai we have an employment series for services in the private sector which shows a decline from a peak of 40.950 in 1950 to 29.580 on the even of socialisation in 1955. See, Szu Ying Shang Yeh Ti She Hui Chu I Kai Tsao, (Tzu Liao), (The Socialist Reform of Private Commerce, (Materials), (Peking 1963), page 323. The trend of individual handicraft employment in Shanghai between 1950 and 1954 is not discernible from the data shown in the 1954 Handicrafts Survey. However, our figure of 258.000 in 1957 is far below a figure of 600.000 workers which official sources quote for 1937. See, P'eng Tse I, Chung Kuo Chin Tai Shou Kung Yeh Shih Tzu <sup>Liao</sup> ~~Liao~~ (Shanghai) 1962. (Materials on the Modern History of China's Handicraft Industry).

Data on employment in traditional transportation and commerce in Shanghai is scarce. But we pointed out in Table 18 note f, that the number of pedicab men in 1958 appears to have been less than the number of rickshawmen in the late 1920's, and the fact that there was a policy



(6) (Cont'd)

of transferring transport workers to the countryside and into other urban occupation in the mid 1950's indicates a decline of employment in this sector between 1949-1957. Changes in the commerce sector are even harder to quantify, but the employment crisis in this sector in 1954 and 1955 suggests that a net increase in employment was most unlikely and a decline probable. The severity of the crisis is illustrated by the fact that during the Shanghai reform of wholesale commerce between 1954 and 1955, of the 44.183 persons involved, 19.224 were neither absorbed into the reformed commerce system, nor found alternative employment, nor given any sort of re-training. See, The Socialist Reform of Private Commerce, loc.cit. page 144. We also know that employment considerations were the prime factor in dictating the tactics of the socialization of retail commerce in Shanghai. It was argued that, "to allow the continued private management of private retail commerce is very beneficial for the maintenance of employment", see, "Why (it is necessary) to adopt different measures when implementing the socialist

Stagnation of employment growth in the traditional sector was certainly an important factor in the growth of structural unemployment in the urban areas. Another effect of the pressures which limited expansion of this sector must have been an increase in frictional unemployment since the traditional sector (particularly commerce), has long acted in China as a mechanism for equilibrating labour market pressures in the rural and urban sectors. The slight capital requirements required to participate in traditional occupations have always made entry and exit easy for those able to alternate between agricultural and non-agricultural occupations. Such alternation might or might not require physical migration and employment switching of this kind could be motivated either by boom conditions in the nonagricultural sector or by natural or economic catastrophes in agriculture. In the latter case, employment switching offered an

(6) (Cont'd)

reform of private wholesale and retail commerce",  
CFJP 24.3.1955.

efficient way of minimising unemployment and sharing available urban income. When conditions changed, occupations could be reversed. This sort of process was certainly known in the nineteenth century, can be observed in the 1930's and was still in evidence in the 1950's<sup>(7)</sup>. Of course occupation switching was

(7) It was said in the mid-nineteenth century that, "when the profits of commerce are small, those who plough and weave will be numerous", Mary Wright, The Last Stand of Chinese Conservatism: The T'ung Chih Restoration, 1862-1874, (Stanford 1957) page 156.

There is a vivid account of occupation switching in the Hangchow area in 1931 in, Hangchow Shih Ching Chi Tiao Ch'a, (1932). (An Economic Survey of Hangchow). This report described how bankruptcy and natural disasters forced many peasants into the city where they participated in rickshaw and construction work and also in the commerce sector. The report mentioned that in the latter there were problems arising from the fact that the numbers employed in the sector were increasing without being any increase of trade to justify them.

sometimes a purely seasonal phenomenon, but this was by no means always the case.

The other aspect of traditional employment which would have been affected by stagnant conditions was its intermediary function in the process of labour transfer from the rural to urban sector. Evidence from the war years indicates that rural migrants did not usually

(7) (Cont'd)

An instructive account of the role of the handicraft industry in a small town is, "An introduction to, and some views on the handicraft industry in O'Cheng" (Hepeh). LT 1954 No.3. This report described the way in which the handicraft labour force fluctuated in response to the agricultural cycle. Over half of the labour force owned land and almost all the rest assisted in agricultural work whenever labour requirements were especially high. The writer went on to show how lack of working capital from public sources and rigid employment administration were hampering handicraft employment which was vital to local incomes.

enter factory employment directly. They first entered the urban labour force through the traditional sector, acquired elementary skills; became acclimatised to urban life and then progressed to factory or other modern sector employment where minimum standards of skill and commitment were higher<sup>(8)</sup>.

The Supply of Labour: participation rates

In this section we analyse the factors which determined the supply of job seekers in the urban labour market. The two factors of particular importance are participation rates and migration. Population

(8) See, Kuo Heng-Shih, China Enters the Machine Age, (Harvard 1944) pp.36-37. This is a sociologist's study of labour conditions in Kunming during the Sino-Japanese war. In the factory studied, of the 28 local farmers in the labour force, 17 had been through non-industrial occupations before entering the factory as unskilled or semi-skilled workers.

changes due to changes in vital rates are not relevant here since the size of the indigenous entry into the urban labour force between 1949 and 1957 was determined by the size and age structure of the population as it existed in 1949. The population acceleration of the 1950's was only of direct significance for labour supply in the 1960's, although it was indirectly relevant to employment in the 1950's through its effect on urban costs.

The three principal aspects of participation are: time worked; age limits; and the degree of female participation in the labour force. The data on these subjects are incomplete but there is sufficient to indicate that radical changes in participation took place between 1931 and 1957.

By comparison with the pre-war period, hours worked were certainly reduced in the 1950's.. A survey of factories in Shanghai in 1930 showed that on average, workers were employed for ten hours a day. Although in 1950 it was said that an eight hour day was not an immediately practical possibility, by the mid 1950's such a day was normal in the modern sector. The effect

of this reduction in hours was to reduce participation for individuals but at the same time increase opportunity for participation for the labour force at large. (9)

National data on the age composition of the urban labour force <sup>are</sup> ~~is~~ only available in the 1955 State Statistical Bureau survey of workers and staff in public sector industry and construction. The results of this survey are in Table 30 below and they imply that in these sectors the effective participation rate was 18 to 60 years.

(9) See Statistics of Shanghai, Table 3, Page 3, and further discussion of this in Chapter Five.

Table 30. Workers and employees in public sector  
industry and capital construction: age structure,  
1955.

	<u>Percentage</u>
under 18 years	1
18-25 years	38.3
26-35 years	35.9
36-45 years	17.1
46-50 years	4.3
51-55 years	2.2
56-60 years	.9
over 60	.3
<hr/>	
Total.....	100%

Source: "The number, structure, and distribution of  
workers and staff in the whole country in 1955",  
TCKT 1956 No.23, 14.12.1956 pp.28-30.



We think that this has to be subject to some modification at both ends before it can be applied to all urban employment. We have already shown that there is evidence of failure to retire in some industries, although it must be added that this evidence was quoted at the time of a vigorous campaign to enforce the retirement rules. In the traditional and small scale sectors where the Insurance regulations did not have the force of law, it seems probable that the upper limit of the official participation rate was in practice very flexible. At the lower end, there is no evidence that those who failed to move into the senior stream of the middle school system at sixteen were debarred from employment when they could obtain it. But it is clear from the evidence of the Table that up to 1955, only a small proportion of the younger age group managed to get into the public sector labour force. This is not surprising, since competition to get into the public sector was very fierce, and in most branches of it preference would have been given to persons with some skill or experience.

Female participation at the national level for all nonagricultural occupations, was reported to have risen

from 7.5% in 1949 to 13.4% in 1957. In industry alone the figure for 1957 was 17.3%. (In the cotton industry the figure was 60%)<sup>(10)</sup>.

Age data for the Shanghai labour force after 1949 ~~are~~ not available. The only fragment of information on this subject that we have found confirms the view that the Shanghai industrial labour force probably had an average age higher than the national average<sup>(11)</sup>. This would be expected in view of the fact that the rapidly growing labour force in the North East and North West would consist of predominantly younger men.

(10) See, J.P.Emerson, Sex, Age and level of skill of the Nonagricultural labour force of Mainland China, (Washington, 1965), Tables 1 and 2.

(11) A survey of Shanghai cigarette factories found that the average worker was over 40. See, "The key to fulfilling the 1957 Labour Plan", LT 1957 No.3.

Data on female participation rates for Shanghai however, are available and can be compared with national data.

Table 31. Females as a percentage of the total employed labour force (Shanghai).

<u>1931</u>	<u>1949/1950</u>	<u>1957</u>
n.a.	n.a.	21

Source: "Half a million Shanghai women and girls participate in construction", WHP 8.3.1957.

Table 32. Females and children as a percentage of the factory labour force (Shanghai).

	<u>1931</u>	<u>1957</u>
Females	51 <sup>a</sup>	45 <sup>b</sup>
Children	10	-

Sources: (a) D.K.Lin. The Growth and Industrialization of Shanghai, page 228.

(b) "Childbirth must be planned", HWP 3.1.1957.

Female participation was much higher in Shanghai than elsewhere as can be seen by comparing the Shanghai data with the national figures quoted above, and this remains true even after deduction of the figures for the cotton industry which had an exceptional proportion of women in its labour force and which was heavily concentrated in Shanghai.

There are no satisfactory pre-war data on the national age or female participation rates. But there are Shanghai materials and these suggest that important structural changes in both the age and sex structure of the city's industrial work force took place between the 1930's and 1957. The key to this transformation was the elimination of children from the labour force and the limitation of female participation.

An extreme example of the age structure in the pre-war industrial labour force is that shown in Table 33. This shows in that in a sample textile mill, 23.1% of the labour force was under the age of sixteen and very nearly 80% was under twenty five. This may be compared with the 1955 age structure, in which under 40% were under twenty five.

Table 33. Age structure of workers in a Shanghai  
Textile Mill in the late 1920's.

<u>Age</u>	<u>Percentage</u>
10	.05
11-15	23.02
16-20	36.17
21-25	19.93
26-30	12.11
31-40	7.2
41-50	1.15
51-55	.37
<hr/>	
Total	100.0
<hr/>	

Source: H.D.Fong, Cotton Industry and Trade in China  
(Nankai Institute of Economics, Tientsin, Industry Ser.  
Bull. No.4. 1932), page 116.

Table 32 shows that for all Shanghai factory industry in 1931, women and children counted for 61% of the labour force leaving adult men to account for the other 39%. Yet by 1957, 55% of a much enlarged labour force were adult men. The pre-war proportion of women in the total active labour force is not known, but it must certainly have been higher than the 21% estimated for 1957.

The significance of these materials on participation is that they show that by shortening hours, abolishing child labour and limiting female participation to to a lower share of employment than in the pre-war period, the labour administrators were able to substantially mitigate the effects of low employment absorption rates on open male unemployment although in the nature of the case this was largely a once for all process.

Finally, the one other factor bearing upon effective participation in the Labour force is the educational retention. The impact of this in the case of Shanghai was estimated in Chapter 2, and in the process of making this estimate we also made estimates for all urban areas. These show that during the First Plan

period, the annual net inflow into the educational system was 208.000 per annum which is equal to 20.1% of the total annual flow of indigenous labour into the urban labour market as estimated by Sung P'ing. The problem was that the favourable impact of the educational system on the size labour force could only last as long as the educational system was expanding, clearly there were limits to this, and they were reached in 1957<sup>(12)</sup>.

#### The Supply of Labour: Migration

Migration between rural and urban areas in China has had a long history and its characteristics have been very variable. The first variable to be considered is the distance involved in migration. This could be very great; thus in 1957 (when migration reached a peak) it was reported that some groups of people were moving from one end of China to the other. But the more characteristic migration was probably that which involved movement between urban areas and their immediate hinterland. (Thus, most migrants to

(12) National data as note 16 in Chapter 2.

Shanghai for example, came from the Provinces of East China). It should be noted moreover, that at the borderline, the distinction between the rural and the urban area has been administrative rather than real in any other sense. In the urban suburbs, factories are placed in the middle of paddy fields and urban workers have small plots on which they cultivate vegetables. Thus peasants may participate in construction work and workers engage in cultivation without any necessity for physical migration; and frequently, prior to 1956, families divided their labour between agricultural and nonagricultural occupations. This interpenetration of the rural and urban areas caused many peculiar problems in city administration, notably in the implementation of the land reform and in considering the problems of controlling population and labour force movements it has always to be borne in mind<sup>(13)</sup>.

(13) The phenomenon of families dividing their labour between sectors was known in the pre-war period in Shanghai. Young girls often walked up to two hours a day between their family homes in the suburbs and the



A second point worth remembering when analysing the migrations of the 1950's, is that seasonal migration and movement in response to agricultural catastrophe had a long history in traditional China, and that there was a precedent for economically motivated, long term migration on a massive scale in the period between 1912 and 1949. During this period, although fear of banditry and the consequences of war were important motives for movement, the economic attractions of Manchuria and the Treaty Port towns were increasingly making themselves

(13) (Cont'd)

cotton mills. See, H.D.Lamson, "The effect of industrialization upon village livelihood", Chinese Economic Journal, October 1931. For the Shanghai land reform see, "The Shanghai City Government methods for implementing land reform in the Shanghai suburbs", in Hua Tung Chu Tsai Cheng Ching Chi Fa Ling Hui Pien, (Compendium of Economic and Financial Regulations for the East China Region), (Shanghai, 1951), pp.2008-2015.

felt(14).

(14) The Taiping rebellion was responsible for a sharp jump in the Chinese population of <sup>Shanghai</sup> ~~the city~~ in the mid-nineteenth century, and the doubling of the city's population which occurred in the 1920's owed much to political instability in the rural areas of East China' in that period. The immediate impact of the outbreak of the Sino-Japanese war was to accelerate migration into Shanghai, but subsequently many moved out again. Population data in, Rhoads Murphy, Shanghai Key to Modern China, 1953, Chapter Two. See also, Robert W. Barnett, Economic Shanghai: Hostage to Politics 1937-1941 (New York, 1941), Chapter II. The final stage of the civil war also lead to a general migration into the cities. See, Jean Chesneaux, "Notes sur L'evolution recente de l'habitat urbaine en Asie", L'information Geographique, 13, (1949), pp. 169-175 and 14, (1950), pp. 1-8. A good account of the character of migration to Manchuria in the 1920's is in, The Manchuria Year Book, 1932/1933, pp. 439-463. Also, George Babcock

The effects of these migrations were particularly visible in pre-war Manchuria and in Shanghai. In Shanghai, surveys conducted in the late 1920's and 1930's all showed that the city's population and labour force were predominantly non-Shanghaiese in origin and that migration was increasingly motivated by economic considerations. After 1937 however, the Sino-Japanese war became the major influence on migration and many Shanghai workers moved out either to the Communist areas in the North or to the Nationalist areas in the West (15).

(14) (Cont'd)

Cressey, China's Geographic Foundations, (New York, 1934) pp. 222-226. After 1932 the Japanese began to limit immigration to the urban areas, see, F.C. Jones, Manchuria Since 1931, (London, 1949), Chapter IX. The best source of Manchurian data for the whole period is Waller Wynne Jr. The Population of Manchuria, (Washington 1958) Table IIIC, page 20.

(15) ~~(Continued)~~

~~originated from outside of the city. See, Mao Chi Chun, "The unemployment problem of the Municipality of Greater Shanghai", Chinese Economic Journal, November 1928.~~ In 1930, <sup>a</sup>another survey showed that only 26% of the total population had been born in the city and that of the rest, 40% had come from Kiangsu and 20% from Chekiang, Statistics of Shanghai, 1933, loc.cit. Table 5, page 4. In Kuo Heng Shih's factory in Kunming, 30 out of 63 skilled workers had come from Shanghai. China Enters the Machine Age, loc.cit. page 7.

The scale of migration after 1949

Let us now consider the scale on which migrations took place after 1949 and their impact on population and labour force changes in urban areas. The only national data available state that net rural-urban migration during the First Plan period accounted for 8.000.000 persons which accounts for 29% of total urban population growth during that period<sup>(16)</sup>.

Emerson then used this figure to estimate that migration accounted for 44% of the net addition to the urban labour force.

The local data are more specific and interesting than this. We estimated in Chapter 2 that in Shanghai net migration accounted for 33.6% of population growth between 1949 and 1957 and 17.3% of the addition to the supply of job seekers in the same period. We also have data for Canton and Peking. In Canton, migration was reported to have accounted for 43% of total population growth and in Peking migrants accounted for

(16) Sung P'ing "Lets discuss the problem of employment", op.cit.

70% of population growth between 1949 and 1957 which illustrates our point about the variety of China's demographic experience<sup>(17)</sup>.

It seems likely that migrants also played an important role in the population growth of those cities in the North West such as Sian and Lanchow, where population growth was particularly rapid.

(17) Estimates for Canton from, "Kwangtung's population has increased by 31% in the past seven years", WHP 3.4.1957. Canton establishes an office", WHP (Hong Kong), 9.12.1958. "This year 100.000 surplus population to be mobilised to return to rural production", KCJP 15.2.1958. Peking data from, "The urban population must be controlled", JMJP 27.11.1957.

Two features of the data on migration stand out as of particular interest. The first, is that although the problems of controlling migration received most publicity in the years 1955-1957, it was in the period 1948-1953 that population growth (and probably migration) were in fact most rapid(18). The second point arises from examination of the Shanghai data. These reveal the extent to which net migration flows were the outcome of massive gross flows in both directions. For in Shanghai, gross immigration was nearly two and a half times as great as the final net figure; and the gross addition to the labour force was more than four times greater than the net addition. This picture of tremendous population mobility is confirmed by a remarkable survey of population change in three sample residential districts in Shanghai in 1954 and 1955(19). This

(18) See column f in Table 22 in Chapter Two.

(19) "Experience and a simple example of the analysis of fluctuating population birth rates", TCKT 1957, No.6, 29.3.1957.

survey showed that in these two years, 35% and 43% respectively of the total population were involved in migration of some sort. In one area, in 1955, the figure was 74%. It is true that some of this migration must have been intra-city movement, but we can surmise from other materials that a great deal of it must have involved movement to or from rural areas. Two conclusions appear warranted by this. First, despite the formal imposition of severe restrictions on movement, population mobility was probably as high in the mid 1950's as it had been in the Greater Shanghai and in the early 1930's<sup>(20)</sup>. Second, if the authorities had not been able to reverse rural-urban flows to the extent that they did, the unemployment problem would have been very much more serious than was actually the case. In Shanghai it might have been as

(20) For example in 1932 the total number of migrations in and out of Greater Shanghai was 672,000 in a population of 1,580,000. Statistics of Shanghai, loc.cit. Table I, page 1 and Table 7, page 6.



high as 1.325.000 whereas in fact it was only estimated to have been 635.000.

The motives for migration

The basic pattern of motivation behind the migrations of the 1950's was similar to that which had operated in the pre-1949 period, except perhaps, that the upheavals of rural reorganisation replaced war and banditry as the most important non-economic factor in the migration decision. Up to 1957, seasonal migrations based on the agricultural cycle of work and the requirements of the construction and other industries, continued as they had always done<sup>(21)</sup>.

(21) A report from Anshan in January 1953 indicated that the huge migration then taking place was in fact an intensification of customary, slack season migration. See, "The People's Government in Fei Tung county should persuade peasants that they ought not to blindly migrate to the towns", JMJP 30.1.1953. See also, "Stop blind migration to the towns", Fukien Jih Pao (Fukien Daily) 24.3.1957, in which the problem of stopping long established seasonal migrations is discussed.

Natural disasters also continued to stimulate movement to the urban areas. For example, the influxes of 1954/1955 and 1957, were all related to natural disasters, although these combined with other factors to make migrations exceptionally large. One difference between migration in response to disasters in the pre and post 1949 periods, may have been that in the latter, migrations initially prompted by disaster, may often have been irreversible whereas traditionally, peasants returned to the countryside after the catastrophe had subsided(22).

(22) See, "Concerning the continuance of implementing the directive "persuade and prevent blind migration by peasants into the cities"", HHFYK 1954 No.4 and "Mobilise peasants from outside to return to the countryside and participate in spring ploughing", CFJP 10.3.1957. This last article also brings out the way in which natural disasters, the collectivisation and the income attraction of cities could combine to bring about a migration decision.

The structural demographic and economic forces which encouraged long term migration to the cities also showed considerable continuity with those operating in the 1920's and 1930's. The problem of population pressure on limited supplies of land was intensified as health improvements and the limitation of infanticide <sup>led</sup> ~~lead~~ to an acceleration of population growth. Population growth moreover, not only <sup>led</sup> ~~lead~~ to pressure on land in rural areas, for there were also problems arising out of urban expansion which ~~led~~ to shortages of agricultural land in the urban suburbs<sup>(23)</sup>.

(23) See Table 22 for urban population growth rates. Migration was not the only explanation of the high rates of urban population growth. Increases in natural rates also played an important part in accelerating overall rates. The acceleration of natural <sup>population</sup> ~~growth~~ in the mid 1950's can be seen for example in data for Canton, where in 1948, birth and death rates were 2.66% and 1.53% respectively giving a net growth of 1.13%. For the years 1953 to 1956, the figures were 4.1%, .79% and 3.31% respectively. In Harbin it was reported that

(23) (Cont'd)

the birth rate jumped from 3.5% to 5.2% between 1952 and 1956 and a 1957 survey of cities in Liaoning reported average natural growth rates of 5%. Pre-war vital rates are scarce and hard to handle. However we do have some data for Manchuria which can be compared with the rates given above. These suggest natural rates of about 1% and 3% for the periods 1910-1940 and 1940-1953 respectively. See for Canton, "Canton establishes an office", loc.cit. note 17 and, "Last year Canton's population increased by 79,000", WHP (Hong Kong) 2.3.1958. For Harbin see, Harbin Jih Pao (Harbin Daily) 22.12.1956 Manchurian growth rates in, Waller Wynne Jr. The Population of Manchuria, op. cit. pp. 18-23. Data on Liaoning cities are in, "Views on some problems in urban construction", Liaoning Jih Pao (Liaoning Daily) 7.5.1957.

A striking example of the effects of urban growth is provided by the experience of the city of Foochow. In the Foochow suburbs at the time of the land reform, a population of 115,000 peasants worked 7,040 hectares of land. By 1956, the rural population had grown by 25% while the arable area had shrunk by 7% under the due to absorption of land for industrial and residential use<sup>(24)</sup>. The data for Shanghai are difficult to interpret but the evidence suggests that population density in the suburbs more than doubled between 1949 and 1957. See Table 34 below.

(24) "Develop production and arrange employment",  
Fukien Jih Pao 25.5.1957.

Table 34. Land area and population in Shanghai  
1949/1950 and 1957

	<u>1949/1950</u>	<u>1957</u>
<u>Total land area</u> (hectares)	89.300	65.400
<u>Urban area</u> "	8.000	11.600
<u>Rural area</u> "	81.300	53.800
<u>Total population</u>	5.407.000	7.200.000
<u>Urban population</u>	5.162.000	6.800.000
<u>Rural population</u>	245.000	400.000
<u>Overall population</u>		
<u>density</u> <sup>(population)</sup> (men per hectare)	60	110
<u>Urban population</u>		
<u>density</u> <sup>(population)</sup> (men per hectare)	656	586
<u>Rural population density</u>		
<sup>(population)</sup> (men per hectare)	3.3	7.4

Sources: Population as Table 11 in Chapter Two. Total land area in 1949 is from 1949 Shou Ts'ie (Handbook for 1949) (Hong Kong, 1949), page 6. Other data on areas from, Chang Jui, "Some views on Shanghai's population and area", WHP 11.2.1957. "The urban area of Shanghai enlarged by half", HWP 8.8.1957.

The pressure on land was at least ~~not~~<sup>a</sup> partial explanation of the increase in landlessness which as a motive for migration was reported to have been exceptionally important after the land reform and as a result of land sales and the general polarization of wealth in rural areas in 1954 and 1955<sup>(25)</sup>. It must also have

(25) The effect of the land reform on employment is mentioned in the Government "Decisions on Employment" in 1952 (See Chapter Five). The problems of wealth polarization are vividly described by Mao in his report on, The Question of Agricultural Collectivisation, reprinted in Robert R. Bowie and John K. Fairbank eds. Communist China 1955-1959: Policy Documents with Analysis, (Harvard, 1962), page 103. See also, "The hungry peasants of Tung Pei and Hua Pei infiltrate the cities in search of livelihood", Tien Wen T'ai Pao (Hong Kong), 19.12.1953. Landlessness has<sup>been</sup> ~~have~~ found to be a key to migration in many developing countries, see, Wilbert E. Moore, Industrialization and Labour: Social Aspects of Economic Development, (Cornell) (1951) and L.G. Reynolds and P. Gregory, Wages, Productivity and Industrialization in Puerto Rico, (Homewood, 1965).

contributed to pressure on rural employment, food and income, each of which played an identifiable part in pushing peasants towards the cities.

The problems of rural employment require deep and separate investigation which we have not been able to give them. The evidence for rural unemployment prior to 1956, at least of a seasonal variety, is however very strong<sup>(26)</sup>. This is not to say that such unemployment was in any sense inevitable or that the unemployed could not have been found productive work. The opposite was often the case. But prior to 1956, the search for employment was one of the most frequently given reasons for the rural urban migrations. One

(26) Examples of Analyses of rural employment in areas of North and South China are, "Ying Kou County, Sung Kuang District solves the problem of surplus labour in agricultural co-operatives", and Liaoning Jih Pao 20.11.1954, and "Where is the outlet for surplus labour power"?, NFJP 19.11.1956.



interesting aspect of this, is that it appears that attempts at agricultural reorganisation in the early and mid-1950's tended to aggravate the problem for we often find it said that the generation of unemployment by Mutual Aid Teams and Low Level Cooperatives was one of the main causes of their instability, and not infrequently of their total collapse<sup>(27)</sup>. The problem of

(27) See, "Overcome the difficulty of grain shortage; rationally use surplus labour within the Mutual Aid Teams", Fukien Jih Pao 24.6.1952. "Chang Chih in Shansi uses surplus labour to advance the development of agricultural and secondary industry output" CFJP 20.8.1951. Articles in Fukien Jih Pao, 26.4.1952 and 23.5.1952. "Take rural surplus labour and use it for land improvement", Chunking Hsin Hua Jih Pao (Chunking New China Daily), 26.10.1952. "Seriously regard and solve the problem of surplus labour within the Mutual aid Team", Hsin Hunan Pao (New Hunan Daily) 16.4.1954, and "Stop peasants blindly infiltrating cities", Swatow Jih Pao (Swatow Daily) 22.1.1957.

rural unemployment seems to have been particularly intractable in the densely populated region of East China. The Foochow material referred to earlier for example, states that some cooperatives in the Foochow suburbs had less than .0067 of a hectare per head, with the result that the demand for work, (and thereby income), required an elaborate arrangement for rotation of tasks and led to violence among the peasantry.

The role of food and income in stimulating migration is predictable. For although there are substantial variations in agricultural income in the different regions, in many areas, notably the north China plain and parts of East China, the structural deficiencies of agriculture were inevitably reflected in low incomes which were further attenuated by taxation. Apart from low incomes, the other factor influencing migration was economic uncertainty. Uncertainty is unavoidable in an unmechanized agriculture in a country where natural catastrophes occur with regularity, but it was accentuated in the 1950's both by variations in taxation policy and by collectivisation drives of unpredictable outcome.

Finally, one point that is often overlooked in discussion of the material incentives for migration, is that income changes, actual and promised, were effective causes of both urban immigration and emigration. This was particularly the case in the years 1955-1957 which we will be examining in more detail later. It is certainly noticeable in Shanghai, that the good harvest of 1955 and the promise of high incomes after the "High Tide of Collectivisation", greatly facilitated the return of 500.000 peasants to the rural areas in mid 1955. Conversely, it was the failure of agricultural incomes to satisfy the expectations of the newly cooperativised peasants which in late 1956 and 1957 lead to an uncontrollable return to the city<sup>(28)</sup>.

(28) In 1955, incomes in Shanghai's agricultural suburbs reportedly rose 56% on the 1954 levels. At the same time large cash and grain incomes were promised for the post collectivisation period. See, "Agricultural cooperatives in the City's suburbs completely demonstrate their superiority", HWP 17.1.1957.

The material push from the rural areas and the real and apparent economic attractions of the cities were by no means the only influences on migration in the 1950's. We have to make allowance also for the tremendous impact, particularly on the young, of the vision of China's future which was propagated in the early 1950's. This vision was dominated by the related concepts of the Party, the industrial worker and the city, and in some ways it confirmed prejudices against rural life inherited from the intelligentsia of traditional China. By the mid-1950's the inappropriateness of this philosophy was realised and the whole

(28) (Cont'd)

"Letters from peasants who have returned to the countryside reporting rural conditions", Lao Tung Pao, 10.10.1955. "The new life of the pedicab men", HWP 20.4.1956. The key role of food availability is described in, "In P'eng Lai District more than 400 unemployed (workers) have returned to rural production", HWP 10.8.1955.

machinery of education and propaganda was mobilised to produce a new and more attractive image of the peasant and his role in a transformed rural environment. By this time however, millions had enjoyed for themselves the working and recreational amenities of urban life and even if their migration could not be judged successful by strict economic criteria, many perhaps, retained hope of improvement and indulged in self deceptions of a type impossible to those subjected to the harsh facts of village life, but which once experienced in the city, are not easily foregone.

#### The mechanisms of migration

The mechanisms of migrations fall into two groups - those pertaining to urban immigration and those to emigration. The immigration mechanism is the more difficult to unravel. The first point to establish is that the legal rights of migrants were for most of our period ambiguous. On the one hand there was a clear statement in the Constitution of 1954, that citizens had the right to choose their place of residence and work. This might be called the higher law. Below this

however, residence and employment were subject to a mass of specific directives and regulations aimed at preventing unwanted migration. This conflict was never properly resolved although on many occasions would-be migrants appealed against the administrative rules which impeded their movement, to the higher law of the Constitution in which they claimed their freedom of movement was guaranteed(29). The answer to such appeals, (where one was given), was usually in terms of the necessity of constricting lesser freedoms in order to protect the higher freedoms of full employment etc.

The administrative rules by which the Government tried to stop urban immigration fell into three main categories. First, there were the hu K'oua teng chi regulations, which required the population to carry a form of identity card which had to be checked and approved as part of the procedure for legitimate movement. Second, there were the regulations governing

(29) See for example, "Is it contrary to the Constitution to refuse permission to the rural population to come and take up residence in the towns?" NFJP 28.10.1957, and, "Is this lack of freedom of residence?", Kung Jen Jih Pao 26.9.1957.

changes in employment. And third, by the mid 1950's there were regulations governing the control of primary foodstuffs in the urban areas which were also an explicit part of the population control apparatus.

None of these controls could be said to have been effective prior to 1958, although it would be incorrect to describe them as totally inoperative. The hu k'ou regulations failed at the rural end because prior to 1956, cadres were frequently glad to be rid of surplus labour and were therefore willing to facilitate migration by giving migrants proper papers<sup>(30)</sup> When the migrant arrived in the city, with or without papers, a variety of alternatives were open to him. If he had no papers there was a black market in them. Alternatively, an employer or illicit labour broker who was anxious for labour would either ignore the irregularity or possibly indulge in falsification himself<sup>(31)</sup>. ~~Failing~~

(30) This was particularly the case after the rounds of agricultural reorganisation prior to 1955.

(31) "Check up and deal with units and personnel who privately (illicitly), hire temporary workers", Tsing tao Jih Pao (Tsing tao Daily) 6.12.1957. See also an experience described in, Suzanne Labin, La Condition Humaine en Chine Communiste, 1959, Chapter 12.

Failing these possibilities, a migrant might remain without papers by working for an illicit firm or by working on his own account in small scale production or services. In the last resort, our migrant might simply remain unemployed and live with relatives. The tentacles of kinship still stretched far in the 1950's and there is evidence that this was a crucial factor in enabling migrants to evade the formalities designed to exclude them from the urban areas<sup>(32)</sup>.

(32) For example surveys of migrants in Harbin, Tientsin and Shanghai all showed that the majority of migrants were staying in cities with the assistance of relatives, (who were often cadres). See, "Those who have come from the country should go back", JNJP 22.5.1957. "Tens of thousands of peasants infiltrate the city," TKP (Peking), 3.6.1957. "Stop outsiders infiltrating into Shanghai", WHP 21.12.1957.



The relationship between hu k'ou control and employment was a close one and the implication of what we have said above is that there were in urban areas throughout the 1950's what may be termed free and black labour markets. By free, we mean that the employer had the right to hire without recourse to the Labour Bureau. By black we mean that even when this right was theoretically non-existent, employers were still in fact able to circumvent the official hiring procedures.<sup>(33)</sup> The motive for such hiring was that illicitly hired labour was both cheaper and more easily dispensed with than labour acquired through the offices of the Labour Bureau. Obviously illicit

(33) The official data show an increase of non-agricultural employment of 16.000.000 between 1949 and 1957, of which only 4.000.000 passed through the Labour Bureau Machinery. What proportion of the other 12.000.000 were hired through the free and black markets respectively we have no way of knowing. See, "The gateway to employment is broad", JMJP 19.8.1957.

hiring was particularly easy for firms which had no official existence and the problem did not arise in the case of illicit self employment - which many migrants resorted to. The evidence for labour markets of this kind is abundant and is discussed more fully later. (34)

(34) The sectors where migrant labour entry through illicit and free markets were most important, were the private sector, illicit small scale manufacturing and commerce, transport and the construction industry. See for example, "Determined to return to the countryside and do agricultural work well", HWP 12.8.1955. "In Canton private commerce (enterprises) privately hire peasants contrary to government regulations", NFJP 11.7.1954. In this case employers sacked regular workers and replaced them with peasants. "The blind peasant infiltration into the cities severely affects spring ploughing", JMJP 26.4.1957. "Continue mobilising blind migrants to Shanghai to return to the countryside", HWP 23.7.1957.

Finally we have to ask why food control was an ineffective instrument of population control. We have to note first that food control was not introduced until late 1953, and is not therefore relevant to the migration before that date. After this migrants were either able to obtain official grain as a result of lax and liberal grain administration or they circumvented food control by recourse to free and black markets<sup>(35)</sup>.

(35) The relationship between food administration and migration control was fully recognised. See for example, "Surplus labour in Canton should return to the countryside", NFJP 3.12.1956. "Mobilise peasant infiltrators in the city to return to rural production", JMJP 16.12.1957. An example of grain regulation specifically directed against infiltrators is, "Stop completely the giving of grain cards to (members of the) rural population who have infiltrated into the towns and cities", Shansi Jih Pao (Shansi Daily) 28.7.1957.

The free markets consisted of (a) the markets in secondary foodstuffs and (b) food sold in restaurants and canteens where ration coupons were not usually required<sup>(36)</sup>. The black market consisted of foodstuffs illicitly marketed by the peasants or by workers and staff **with** rations sufficiently liberal to give them a marketable surplus<sup>(37)</sup>.

(36) This type of food constituted a leakage of considerable importance. In Changchun for example, 12% of the city's grain supply went through restaurants and canteens and attempts to control this met with resistance. See, "Readjust the work of planned grain supply as quickly as possible", Changchun Jih Pao (Changchun Daily) 11.1.1957.

(37) Many urban residents also got hold of grain surpluses by fraudulent registration etc. See, "(The people of the city) voluntarily reduce their grain rations by more than 30.000 chin", Amoy Jih Pao (Amoy Daily) 13.1.1957.

Our conclusion is therefore, that up to 1958 migration was greatly facilitated by liberal grain administration and a group of licit and illicit free markets which hung together, and reinforced each other in ways that enabled migrants to evade every aspect of the Government's population control endeavour.

Most emigration was the result of official pressure and the emigration mechanism was altogether less complex as long as the object of emigration was an illicit migrant. It usually involved a combination of rigorous police check ups; "campaigns" and propaganda; the provision of transport or fares; and liaison work with rural authorities to ensure that the prodigal migrant was warmly received to his return. The latter problem of reintegrating migrants into the rural community was a very serious one. In the early 1950's migrants were often given a little working capital in cash and kind but this usually proved an inadequate resource base from which to establish economic viability; taking these experiences into account, we are convinced that the problems of rural repatriation were an important factor in explaining the character of the regulations for Higher Level <sup>Agricultural</sup> Cooperatives. For by comparison with

the regulations for Lower Cooperatives, in strict limitation of rewards for initial contributions of land and capital, greatly facilitated the return to the countryside of poor and landless peasants and others who the authorities were anxious to clear out from the cities<sup>(38)</sup>. It was no accident that the High Tide of Collectivisation followed shortly after the most massive hsia fang movement of the period under study.

(38) The regulations for both higher and lower cooperatives stipulate that ex-servicemen, handicraftsmen etc. should be admitted. However, the elimination of rent payment in the higher stage cooperative was the key to making such entry a workable proposition. The Lower Stage regulations are in, Chung Hua Jen Min Kung Ho Kuo Fa Kuei Hui Pien, (Compendium of Laws and Regulations of the Chinese People's Republic), 1955, No.2, July-December (Peking 1956) pp. 624-659. The Higher stage regulations are in the same series No.3 1956, January to June, pp. 292-314.

The problem of moving bona fide and long standing residents out of the cities was difficult because it called for a persuasive rather than coercive approach. However, persuasion was rarely successful on its own and the Government had to rely heavily on campaigns for emigration conducted at times when the political temperature was high, and people were therefore reluctant to lay themselves open to charges of political deviation<sup>(39)</sup>. Moreover there is no question that in the last resort the authorities were prepared to use force to ensure that volunteers for emigration were forthcoming<sup>(40)</sup>.

(39) The 1955 emigration was conducted under the shadow of a virulent suppression of reactionaries and coincided exactly with the campaign against Hu Feng. The 1957/1958 emigration was conducted in conjunction with the rectification campaign which followed the "Hundred Flowers" movement.

(40) See for example, an extremely frank account of the hsia fang movement in the public security department in Hunan. Here "not a few resisted being moved", and in

(40) (Cont'd)

one case, "on account of severe revolutionary discipline, the Hunan public security office had no alternative but to decide to throw him out", (i.e. the recalcitrant lost his job); otherwise, it was reported, "after the organisation of patient persuasion and education, they all submitted to assignment", see, "Be content with work at the basic levels", JMJP 30.3.1957. It should be noted that government persuasion was not only applied in cases of urban emigration. In the early 1950's, in the North East, the problem was to get skilled workers back from their land into the factories. To this end the authorities had to allow dispensations to the Land Reform Law which allowed enabled factory workers to retain land ownership, see, "An enormous increase in the numbers employed in the North East Region", NFJP 25.9.1952.



Migration and the supply of labour: conclusions

Our main conclusion must be that migration to the urban areas intensified structural unemployment. The degree to which this was the case can be estimated from the Shanghai data, where we suggested that the net migrant addition to the supply of job seekers was 220.000 - about 20% of the total. If we assume for a moment that the labour supply was homogenous, we can say that without migration, open unemployment would have been more than halved.

Apart from open unemployment, migration must also be associated with over-manning, or what has been aptly named "supply induced employment"<sup>(41)</sup>. The attitude of the Government to this phenomenon was schizophrenic. For, as we shall see later, at times it was encouraged on the ground that it alleviated open unemployment, but at other times it was condemned because it was said, and rightly, that unproductive employees wasted the investment surplus and thus prejudiced the cumulative growth of future

(41) D.C.Mead, Growth and Structural Change in the Egyptian Economy, (Yale, 1967), Chapter 6.

employment. Government campaigns against over-manning had considerable short term success, notably in 1950, 1955 and 1957. But these successes were undermined by excessive hiring at other times and it could not be said that they solved the problem. By 1958, it was realised that a solution would involve far-reaching administrative and economic changes as well as a reversal of the general preference for urban life.

## Chapter Four

### Employment control in a context of fluctuations

In the last chapter we considered the structural determinants of employment. In this, we consider the importance of the fact that the context of urban employment control was one of violent fluctuation.

In Chapter One we outlined urban economic fluctuations and offered some analysis of them. As we saw, fluctuations in output were associated with employment change and loss of control over the labour market. At that stage we emphasized the problem of control at the peaks of activity, and this was the most serious problem. In this chapter however, we will also show that control in the troughs was not easy either, and in our conclusion, we will argue that the consequences of the overall failure to control employment were aggravation of structural unemployment and the phenomenon of over-manning.

Let us briefly consider the data of employment fluctuations again. At the national level, we have no index of fluctuations of the total urban employment. However, the data in Table 35 do offer some indication

of the intensity of urban employment fluctuation.

Table 35. Employment fluctuations: national and local data 1949-1957

	1950	1951	1952	1953	1954	1955	1956	1957	
<u>National</u>									
Industry <sup>a</sup>	+11	+29	+20	+16	+4	-4	+22	+6	% change on previous year
Construction <sup>b</sup>	+100	+50	+75	+107	-3	-8	+53	-35	do.
<u>Local</u>									
<u>Shanghai</u>									
Total employments <sup>c</sup>	+1	+3	-3	+2	-4	-5	+12	+5	do.
Gross additions <sup>d</sup>	57	100	43	94	7	0	334	157	as % of annual average addition
<u>Tientsin</u>									
Gross additions <sup>e</sup>	35	120	106	106	59	56	174	n.a.	as % of annual average addition
<u>Shenyang</u>									
Gross additions <sup>f</sup>	74		90	117	65	65	216	n.a.	"

a. Source as Table 8, Chapter One.

b. Source as Table 9, Chapter One.

c. Source as Table 16, Chapter Two. The data in this table have been adjusted to take account of the estimated incidence of (a) retirement,

Table 35 (Cont'd)

(b) loss of jobs and (c) the difference between the sum of annual gross addition to employment as in Table 16, and the figure of 640,000 which we used to estimate the net change in employment between 1949 and 1957.

e. Source: "Who says that unemployment has increased?". LT 1957 No.15.

f. Source: "The employment increase is twelve times that of 1955",

Shenyang Tih Pao 2.8.1957.

At the national level the series for industrial employment is fairly volatile; while construction employment fluctuates wildly. At the local level the Shanghai estimate for total employment suggest that fluctuations of total employment were much weaker than those for industry and construction considered separately.

Apart from Shanghai, we have series indicating fluctuations in employment absorption during the 1950's for the cities of Tientsin and Shenyang. The latter series is particularly interesting since it shows that fluctuations in employment in Shanghai followed a similar course to those in a Manchurian city, which in contrast to Shanghai, was a "key point" city with rapid industrial expansion.

All these series generally confirm our view that the peaks of urban activity were 1951, 1953 and 1956<sup>(1)</sup>.

(1) It will be noted that Emerson's nonagricultural employment series does not exactly confirm our view of which were the peak years. In particular, the 1956 estimate of a 1% increase in employment bears little

(1) (Cont'd)

relation to the detailed picture of employment change in that year which can be constructed from the local data. The key to explaining the differences between nonagricultural employment and urban employment in 1956 is in the performance of the traditional non-agricultural sectors after the rural and urban collectivisations. In the rural areas, collectivisation ~~led~~ to curtailment of handicraft activity because the cadres in charge of collectives were concerned with increasing agricultural output. As one of them pithily put it to ~~workers~~ in the handicraft paper industry, "you eat what you sow; and if you do not sow grain you will eat paper". In the urban areas however the pressure of demand for consumer goods generated by high overall levels of activity and the wage reform, allowed the traditional sector to expand. Moreover, the traditional sector in urban areas benefitted from the partial collapse of the rural handicraft sector which had previously been a competitor. See, "Why has output of locally produced paper declined?", JMJP 11.11.1956. "Increase and utilise the output of locally produced



And the data for individual cities further suggest that 1956 was a year of altogether extraordinary employment absorption, and this is confirmed by quantitative and qualitative data for other cities<sup>(2)</sup>.

(1) (Cont'd)

iron", TKP (Peking), 31.12.1956. "Some problems hindering the development of rural handicrafts", Tsinghai (Tsinghai Daily) Jih Pao 17.1.1957.

(2) In Anshan, a key point city, additional employment in 1956 accounted for nearly half of total additional employment between 1949-1956. In Tsinan, employment growth in 1956 was fourteen times that of 1955. In Changchun, employment growth in 1956 was twice as high as the previous highest year (1953). See, "The whole city basically eliminates unemployment", JMJP 14.8.1956. "In Tsinan city 16.000 get employment", LT 1957 No.3. "In the past year nearly 20.000 people got employment", Changchun Jih Pao, 3.1.1957.

Apart from these series we have a mass of data and information which confirm that the years 1951, 1953 and 1956 were years of urban labour shortage. In 1951, skilled and experienced labour was in particularly short supply and Shanghai reports also show that shortages extended well down the skill scale and that the Labour Bureau was unable to satisfy employers demands for labour of all types<sup>(3)</sup>. Further indications of the tightening of the labour situation consist of reports of longer working hours and increasing work intensity<sup>(4)</sup>. In 1953,

(3) The Shanghai Labour Bureau reported that between August 1950 and September 1951 they had been able to supply less than half of all requests for workers and staff of all types. Of this demand, 53% were requests for skilled labour. By January 1952, total registered unemployment was reported to have fallen to 40.000, which compares with a figure of 170.000 in July 1950. See, "In the last two years (The Labour Bureau) has helped 20.000 workers and staff to find employment", CFJP 8.11.1951. And, "100.000 unemployed find work", CFJP 8.1.1952.

In 1953, employment increased sharply again and there is abundant evidence of shortages of skilled and construction labour<sup>(5)</sup>. The latter it should be noted,

(4) See for example, "Private clothing factories in Wuhan violate labour policy and neglect workers health", Ch'ang Chiang Jih Pao 14.11.1951 (SCMP No.228). This article reported that days of 14-18 hours were being worked and that sickness rates etc. were increasing.

(5) For examples of acute shortages of skilled and construction labour in Shanghai, Anshan and Shenyang see, "The centrally controlled enterprises of the First Machinery industry in Shanghai chaotically takes on skilled workers in opposition to arrangements for the unified distribution (of skilled workers)", CFJP 14.1.1953. "The Anshan Labour Bureaux does some research into recruitment work", Tungpei Jih Pao (North East Daily) 15.3.1953. "Keep in close touch with work areas and solve the problem of manpower shortages in basic construction", LT 1953 No.10.

required physical strength but not necessarily any previous experience or skill. In 1956, evidence of labour market tensions ~~was~~ overwhelming. The towns and cities of Shanghai, Harbin, Paotou, Ching Te Chen, Lanchow, Manp'ing, Swatow, Chan Chiang, and the Provinces of Heilungkiang, Shantung and Chekiang, all reported "full employment"<sup>(6)</sup>. Our information on

(6) "The situation in wage and labour work", CFJP 18.8.1956. "The city's wage reform work can be basically completed by the end of the month", Harbin Jih Pao 25.10.1956. "Paotou eliminates unemployment", Nei Mengku Jih Pao (Inner Mongolia Daily) 26.10.1956 (SCMP 1434.). "The unemployment phenomenon has been basically eliminated in Ching Te Chen", Kiangsi Jih Pao (Kiangsi Daily) 31.12.1956. "Lanchow has basically eliminated unemployment", Chung Kuo Ch'ing Nien Pao 2.8.1956. "The unemployment phenomenon in Nan P'ing has been basically eliminated", Fukien Jih Pao 9.8.1956. "The unemployed of Swatow are now all in employment", NFJP 4.9.1956. "All the unemployed in Chan Chiang now in employment", NFJP 20.7.1956. "Actively solve and

Shanghai confirms that this demand extended through every dimension of the urban economy, encompassing the entire skill range and all the main industrial and transportation sectors<sup>(7)</sup>.

(6) (Cont'd)

correctly understand some remaining workers livelihood problems", Heilungchiang Jih Pao 15.11.1956. "The unemployed in Shantung all get employment", Kung Jen Jih Pao 13.9.1956. "No unemployment in Chekiang", NCNA 27.7.1956 (SCMP 1351<sup>4</sup>).

(7) Labour shortages were reported in the heavy, textile, construction and transport industries. See, "report on the implementation of the National Five Year Plan in Shanghai", CFJP 11.8.1956. "Some views on local heavy industry work", CFJP 12.8.1956. "Develop the potential of Shanghai's textile industry", CFJP 13.8.1956. There was also a national shortage of high school graduates. Only 30% of requests by departments for graduates could be met in 1956, see "Contradiction in the supply and demand for University graduates", CFJP 2.6.1957. It should be emphasized that labour shortages in 1956 extended right through the skill as

The evidence suggests that throughout the 1950's these fluctuations were an important factor in undermining the formal hiring mechanism and making employment control impossible, although we must qualify this immediately by saying that official procedures were themselves in a constant state of flux, so that what was violated was not so much a fixed set of rules, as the Labour Bureaux' ideal of a labour market in which all hiring was either arranged through the Bureaux, or at least subject to approval and knowledge<sup>(8)</sup>.

(7) (Cont'd)

well as the industry spectrum. For example, the situation in transport was so desperate that it was reported that boys were being hired to pull carts. See, HWP 10.8.1956.

(8) The evolution of the official hiring mechanism is described in Chapters Five and Six.

Prior to 1958, this proved impossible. Throughout the whole of our period, hiring continued without Labour Bureaux approval or knowledge<sup>(9)</sup>. Mechanisms for such hiring were described briefly in the last Chapter:-

licit and illicit free labour markets. It is possible however, even within these categories to differentiate many different types of hiring; since any act of hiring had four elements. These were, (a) the status of the hired person (i.e. whether he was a legitimate urban resident with proper employment papers or not) (b) the status of the hiring employer (i.e. whether the hirer was a legitimate enterprise or not) (c) the status of the hired man after hiring (i.e. whether or not he was made a permanent or temporary member of the labour force and whether, if his initial status was questionable, he was "legitimised") and (d) the role of the Labour Bureau in the act of hiring. In addition to the permutations made possible by these distinctions,

(9) Although employment surveys enabled the authorities to catch up with the situation from time to time.

there was the additional possibility of self-employed persons entering (and leaving) the urban labour force. For our purposes however there were three crucial distinctions in hiring. First there was hiring in which the Bureau acted as an intermediary; ~~or~~ second there was hiring specifically tolerated by the Bureau and third there was hiring of which the Bureau knew nothing, and of which had it known, it would have disapproved. The latter would usually have been illegal in the strict sense<sup>(10)</sup>. Types (b) and (c) correspond to the free

(10) The status of the hired and hirer is crucial to the distinction between free and black hiring. Black market hiring involved either an illicit enterprise or an employee who had left his previous employment without permission or who was an illegal migrant. Only on comparatively rare occasions was hiring of legitimate workers by legitimate enterprises contrary to regulations. It may have been contrary to the wishes of the Labour Bureau, but in practice official tolerance of a degree of freedom in the labour market left loopholes. The main problem from the Bureau's point of view was that freedom



and black markets respectively. The relative importance of these types of hiring is difficult to ascertain. However, we do know that of the additional 16.000.000 persons who were reported to have entered the non-agricultural labour force between 1949 and 1957, only 4.000.000 went directly through the Labour Bureau. The share of the free and black markets respectively is hard to judge<sup>(11)</sup>. But we do know that the black markets, often supplied by migrants, were particularly important

(10) (Cont'd)

designed to facilitate absorption of urban unemployed was often used to hire peasant migrants. On occasions illegal hirers were severely punished in the Courts, see for example, "Illegal capitalists Yin Chih Hsien and Ku Wei Jen are given prison sentences", CFJP 24.11.1954.

(11) See, "The way to employment is broad", JMJP 19.8.1957. For Shanghai we estimate that over half of the gross addition to employment passed through the Labour Bureau. See information in the city report for

important in the private sector, construction, transport and small scale production and commerce<sup>(12)</sup>.

(11) (Cont'd)

1958, WHP 14.6.1959. It is difficult to estimate free and black market shares of the remainder. But the black market was substantial.

(12) The role of capitalists in the black market was particularly important in 1954 and 1955. See, "An illegal capitalist severely contravenes labour policy", LT 1955 No.10. (Among other crimes this man gave peasants false documents). Also, "Implement the labour employment policy of combining official placing with finding jobs by one's own efforts", CFJP 28.6.1954. (SCMP 984). This article stated that capitalists were "exploiting the suitably reduced scope of unified labour distribution". After the socialization in 1956, smaller scale autonomous enterprises replaced capitalists as dealers in black market labour.

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-226-

The implication of black and licit free markets in labour is that the formal planning machinery for labour was at least partially inoperative - and a basic reason for this, was toleration of a planning system in which centrally managed enterprises, locally managed enterprises and the private sector in effect competed among themselves in localised labour markets without being subject to any effective supervision. In theory, this supervision was the responsibility of the Labour Bureaux which had been set up in 1950 with elaborate administrative structures and detailed specification of tasks. But in practice, lack of information, the failure to demarcate areas of authority and the exceptionally inadequate provision of administrative resources to labour work limited the effectiveness of the formal system<sup>(13)</sup>. Thus even in Shanghai, where labour planning

(13) The classic account of the deficiencies of labour administration is, "A summary of the experience of 1956; reform labour and wage work", CHCC No.8. 1957. This article explained how the planned increase of 840.000 workers and staff had become an actual increase of 2.300.000. The main point being that labour planning

was relatively advanced, in 1957 less than 40% of the labour force came within the City's Labour Plan(14).

(13) (Cont'd)

machinery had never been set up in many towns and enterprises. Even where there was machinery, as we saw in Shanghai, it could not cope with such a fast moving situation as existed in 1956. Other evidence confirms that even where labour cadres were appointed in enterprises, they were often of a low calibre or lacking in experience. See for example the case of the cadre who worked in eleven different occupations in five years before finally moving in to labour work. "Don't make us like ball bearings", LT 1956 No.10. Also, "How to make a realistic labour plan", LT 1953 No.12.

(14) Of the rest we estimate that not more than 15% would have been covered by plans for the central ministries. This is based on the assumption that 50% of the public sector in 1955 was centrally controlled and remained so until August 1957. If anything this is an

Given this administrative weakness it is not surprising that under the pressure of sharp fluctuations, the Labour Bureaux control over hiring was always weak and periodically collapsed altogether. And indeed, the evidence shows the connection between the two phenomena quite clearly. When the economy was expanding rapidly, the Labour Bureaux were unable to meet demand for labour and the problems of controlling even limited sections of the labour market multiplied as alternative employment opportunities opened in every direction. The result was that illicit hiring accelerated(15).

(14) (Cont'd)

over estimate. See, "Report on the 1956 Budget out-turn in Shanghai and the draft estimates for 1957", HWP 28.8.1957 and the State Statistical Bureau 1955 Survey of workers and staff in 1955, in HHFYK 1957 No.2. pp. 87-89.

(15) For 1951 see, "Recruitment of workers and job jumping are serious problems in Shanghai", CFJP 11.10.1951

But in 1956, the Shanghai Bureau at least accepted the inevitable; it actually relaxed hiring procedures and allowed workers and hirers to act freely in the labour

(15) (Cont'd)

(SOMP 212). For 1953, "The phenomenon of wild hiring and the blind enlargement of the labour force is developing", CFJP 24.1.1953. Many similar articles appeared in the press from January 1953 onwards. The volume of free and black market hiring in 1956 can be judged from the excess recruitment in that year. See above note 13. Illicit hiring by autonomous enterprises was already accelerating by late 1956. A very interesting survey of the origins of the labour force in a sample of illicit enterprises is, "See the problems of individual handicraft development from (the experience of) a few cities", TKP (Peking), 16.2.1956. This showed that 18.4% of the labour force were peasants, 39% were women and other of no previous occupation, 25% were persons left unemployed after the socialization of commerce and industry, 15% were unemployed workers and other minor categories accounted for the remainder.

market<sup>(16)</sup>. Other factors which contributed to the breakdown of labour administration in the booms were the existence of high levels of demand for consumption goods which made entry into small scale activity easy and

(16) In 1951, labour planning was so primitive that the control effort consisted of trying to stop unauthorised movement between Cities, provinces and the Greater Administrative Areas. See, "The temporary regulation of the Labour Bureau of the Central People's Government concerning the hiring of workers and staff in all areas", LT No.11 1951. In 1953, the major effort was to control of hiring, but apart from construction the results were not very good. In 1956, the relaxation of hiring rules was announced by the Shanghai Labour Bureau chief in August. See, CFJP 18.8.1956. The difficulty of controlling even part of the labour force in a context of full employment is described in, "Employment must gradually be solved according to the needs of the country", CFJP 28.10.1956. The most spectacular example of private hiring in 1956 which we have found is the experience of Szechuan Province, where



profitable; and also the fact that private sector buoyancy often enable capitalists to attract workers from the public sector with high wages.

The failure to control hiring was not confined to the boom years. It was also noticeable in 1954/1955 and in 1957. There are two explanations for this. First, when economic activity was depressed, (particularly 1954 and 1955), the Labour Bureaux found themselves saddled with administrative responsibility for an unemployment problem which they could really do nothing to alleviate. No possible change in labour administration could affect the demand for labour, and the administrative machinery for finding work for the unemployed was not very effective in periods when jobs were hard to find. Therefore the Bureaux' reaction was to retain, and indeed tighten, control over key sectors of the labour force (skilled and construction

(16) (Cont'd)

in six months 311,142 persons were illicitly hired. See, "The phenomenon of private hiring and snatching in Szechuan is very serious", LT 1956 No.12.

workers) while at the same time tolerating a substantial degree of freedom in the labour market. In other words the Bureaux encouraged the growth of a licit free labour market<sup>(17)</sup>. Illicit labour markets were also important in years of depression, and they appear to have been highly organized on the demand side<sup>(18)</sup>. The evident ability of illegal labour

(17) See the revised regulations for hiring discussed in<sup>ch.</sup> Five. In 1957 a degree of freedom in the labour market was a concomitant of allowing a limited free market in products. It should be noted however, that official toleration of free labour markets did not legalise black ones. Even the most liberal relaxation of free markets scarcely ever allowed the hiring of peasants.

(18) The scale of the black market in 1955 is indicated in an article which described the activities of a labour broker who hired 3.200 workers to go to Wuhan, drawing on such diverse areas as Shanghai, Honan, Hunan and Szechuan. See, "Correct the phenomenon of chaotic hiring of personnel", LT 1955 No.12. Brokers and enterprises were reported to be very active again in

brokers and unscrupulous enterprises to operate on a big scale is probably explained by the fact that they were dealing in a buyers' market. Lack of employment absorption in the slack years must have made workers willing to take risks (and if necessary lower wages), in the illicit labour market rather than remain unemployed. On the employers' side, the motive for hiring illicitly was that labour acquired this way was dispensable, and cheap<sup>(19)</sup>.

(18) (Cont'd)

1957. For example 17,000 peasants were illicitly hired by brokers from sixteen countries in Anhui after the publication of the new ruling prohibiting such regulations. See, "Take severe measure to prevent private hiring of temporary workers", Anhui Jih Pao 18.12.1957. In Tsinan there was a regular market at 6 a.m. every morning on the outskirts of the city, where to the <sup>IRRITATION</sup> invitation of the urban unemployed, enterprises recruited up to 300 peasants a day. See, "The free market in labour must be eliminated", Tsinan Jih Pao (Tsinan Daily) 9.1.1958.

To summarize, our argument is that acute fluctuations in the urban economy were a crucial factor in the inability of the Labour Bureaux to control or even keep informed of, hiring in the labour market. For neither at the peaks or troughs could the Bureaux perform their functions effectively. At the peaks they could not satisfy demand for labour rapidly enough, and in the troughs, they did not constitute an efficient mechanism for distributing unemployed job seekers among such opportunities as were available.

Violent fluctuations of employment and the failure of the Labour Bureaux to control hiring had serious consequences for overmanning and structural employment. During periods of economic upsurge, the labour force expanded to a size greater than could be justified by the short term growth prospects of the urban economy; so that when the growth rate subsided again a high proportion of the additional workers and staff were found

(19) Wage costs were not necessarily lower but the savings on labour insurance and amenities could be substantial.

to be unnecessary. This problem was aggravated by the extraordinary speed of the upsurges because this led to the phenomenon of quantity/quality substitution in the labour force. When labour requirements increased very rapidly, there were shortages not only of highly skilled labour, but of labour with any experience at all. Such shortages could often be ameliorated by substituting for the skilled workers and staff, large numbers of less skilled personnel. The evidence for this sort of process is substantial. But of course, within quite short periods of time the skill level of the new recruits rose, which, combined with a slackening of the growth rate of the urban economy, resulted in redundancies. If it had been possible to sustain the rate of growth achieved in the good years, the problem of overmanning would not have arisen; there would simply have been a continuous flow of raw recruits as in the early Russian plans. But in a context of fluctuation, the quantity/quality substitution mechanism was bound to lead to periodic crises of overmanning<sup>(20)</sup>.

(20) The pressure on the traditional, intermediary sectors must have accentuated the rawness of the recruits absorbed into industry and construction in the peak years. Examples of the use of disproportionate numbers of low skilled workers and cadres and consequent declines in productivity are, "Some views on solving the problem of skilled labour shortage", LT 1954 No.II. "Report on the Shanghai budget out-turns for 1956 and the draft estimates for 1957", HWP 28.8.1957. This report particularly mentioned the lowering of productivity in the textile industry. Depressed levels of activity in this sector prior to 1956, had resulted in failure to recruit new workers for training. So that in the upsurge of 1956 thousands of totally inexperienced workers had to be taken on to complete tasks. It is significant that a survey of Shanghai industrial enterprises showed that on average, employment increased in 1956 by 24.6%. But the increase in skilled workers was only 17.36% compared with a 257.83% increase in apprentices. See, "Some problems in the increase of workers and staff in Shanghai's industrial enterprises in 1956", TCKT 1957 No.15. At the level of administration the quantity/quality mechanism was equally important. As some cadres put it, "The

Had the excessive intakes of labour in 1951, 1953 and 1956, been easily reversible, the problem would not have been so serious but they were not. It is true that temporary staff could be got rid of; some new female participants in the labour force be persuaded to go back to their homes; and migrants in illicit employment could be rounded up and returned to the countryside(21). But apart from these groups, there were large

(20) (Cont'd)

skill level of our cadres is very low, therefore it is always good to have large numbers of them". See, "Conscientiously do the work of reorganisation and the setting up of a simplified administrative structure", (People's Daily editorial), CFJP 18.4.1955. Growth of skill in the construction labour force and its employment consequences in the bad years of 1954 and 1955 is discussed in, "We must understand the changing labour situation in the light of production requirements", LT 1955 No.8.

(21) The role of temporaries in the labour force was of some importance. Employers liked them because they

numbers taken on as permanent employees or converted from temporary to permanent status who could not be removed except by extra legal measures<sup>(22)</sup>.

(21) (Cont'd)

were often inexpensive and could be dispensed with if necessary. The temporary workers themselves were bitterly hostile to employers, who often, even after years of temporary work would not make them permanent. See, "From where do temporary workers get supplementary grain?" Shenyang Jih Pao 18.2.1957. "Critizise the thought and practice of discriminating against temporary workers", Changsha Jih Pao (Changsha Daily) 18.5.1957. "The views of a temporary transport worker", Kiangsi Jih Pao 3.8.1956. "Temporary workers should not be discriminated against", Kung Jen Jih Pao 15.8.1956.

(22) In 1956, labour shortage had resulted in 840.000 workers being made permanent for employers found that their temporaries would go elsewhere if they were not made up. The authorities showed awareness of the dangers of this trend and tried to halt it, but without success. See, "New workers become permanent very



Persuasion could be tried but was naturally resisted, not only by the workers, but often by managements who were anxious to hold reserves of trained labour against the day when the authorities might again place enormous and sudden demands upon them<sup>(23)</sup>.

(22) (Cont'd)

quickly", GFJP 14.9.1956, and "It is not possible to make all temporaries into permanent workers", Changchun Jih Pao 23.1(.1957.

(23) For example, in mid-1955, Shanghai managers resisted the transference of workers to other cities. See, "Send even more workers to participate in key point construction on a basis of rotation", JMJP 4.5.1955.

The effect of fluctuations on structural unemployment was also serious, since the upswings implied urban employment opportunities, licit and illicit, for the rural work force. The upswing of 1953 for example, led directly to an acceleration of rural-urban migration and in 1956, the city authorities were themselves urgently recruiting temporary labour in the rural areas. When the booms subsided many of these workers found themselves unemployed, but were reluctant to return to the rural areas. They therefore lingered on in the city as unproductive additions to urban costs.

So far, our analysis has largely been in terms of the urban labour force as a whole. In conclusion however, it is worthwhile pointing out the special importance of the construction industry in these problems, since as we shall see later, the attempts to control the labour force of this industry were to have far reaching consequences for all labour planning.

The construction labour force was reported to have grown from 200.000 in 1949 to 1.900.000 in 1957; its average size in these years was 1.479.000 and it reached a peak in 1956, when the force totalled 2.951.000<sup>(24)</sup>.

This does not represent a large construction force for a country the size of China undergoing rapid growth and in absolute terms, it is not much larger than the force of 1,000,000 full time construction workers estimated to have been working in China in the 19th Century<sup>(25)</sup>. However, the strategic role of construction in the economic plans of the 1950's and the special

(24) The measurement of the construction labour force presents very difficult problems. See Emerson, Nonagricultural Employment, pp. 149-150.

(25) Chung-Li Chang, The Income of the Chinese Gentry, (Seattle 1962) page 314n. The rapid growth of the construction industry labour force in China paralleled that of the USSR during its First Plan. However, the size of the Chinese force, relative to total population, was considerably smaller. Soviet data for 1929, 1932 and 1937 appear in Harry Schwartz, Russia's Soviet Economy, 1954, page 521.

problems found to be associated with construction fluctuations, gave management of the construction labour force a very important place in labour administration.

The severity of the employment fluctuations in construction can be judged from the series in Table 35. And when considering this and its implications, it has to be remembered that these annual fluctuations overlaid, and on occasion intensified, the seasonal fluctuations dictated by the character of construction work. For example, in Fukien, construction workers were normally active on ~~every~~ 160 days of the year and since most of these days fell in the second half of the year, during the first half there tended to be a labour excess compared with labour shortage in the second (26).

(26) See, "Develop production and arrange employment", Fukien Jih Pao, 25.5.1957. A national survey suggested that average utilisation of the construction labour force was 69%. See, LT 1955 No.8 op.cit note 20. See also, "Construction work in danger of delay difficulties" CFJP 22.3.1953.

This context of fluctuation set up tremendous tension in labour force management. On the one hand there was pressure on enterprises to minimise their labour costs, and given a fluctuating volume of work, this was most easily done by maintaining a high labour turnover and a high proportion of temporaries in the labour force. This in turn, <sup>INVOLVED</sup> ~~this~~ reliance on workers with sources of income other than construction work usually from agriculture. (27) On the other hand, the long term strategy of the Labour Ministry was to build

(27) In Changchun for example, where 70% of the basic construction labour force were temporaries, 30% of these also worked in agriculture and a further 30% had other sources of income, see Changchun Jih Pao 23.10.1957. In Hangchow in 1955, 70% of the construction force was reported to own land, See, "Important work in labour assignment", LT 1955 No.8.

up a stable construction work force which would have rising skill levels. Such a labour force would have no place for temporary workers from agriculture and would not therefore constitute a direct and easy road for illicit rural-urban labour transfer<sup>(28)</sup>. How this conflict developed and was handled will be discussed in the next Chapter.

(28) A survey in Tientsin for example, showed that nearly half of the temporary construction work force were illicit migrants. LT 1955, o.p. cit. note 20.

## CHAPTER FIVE

### Employment Policy and Administration: Part I 1949-1955

#### Introduction

In this chapter and the next we shall analyse the development of employment policy and administration between 1949 and 1957. This is best done by the historical method, since there is no other way in which it is possible to bring out the interactions between the basic problems of urban labour absorption and control and the policies and institutions designed to solve them. These interactions were complex and in following them through one comes to appreciate that prior to 1957 at least, not only is it difficult to identify with certainty the official regulations and administrative practices governing the labour market at any one point in time, but it is also impossible to consider Chinese labour laws and practices as constituting a stable or coherent system; for as we shall see, the search for solutions to basic problems led to continuous change in policies and institutional rules, which changes themselves led to new problems (or put old ones in new forms), thus stimulating

further thinking and rule change etc. The fact that there is a limit to the number of feasible variations in most of the rules governing labour market administration explains the circularity which is evident in the process of institutional evolution which we shall be examining.

Our analysis will be concerned with employment work at two levels. The first is that of overall policy making and the second, that of labour administration at the local level. This latter is largely the work of the Labour Bureaux, but also includes the work of other departments concerned with economic administration and population control. The context of overall employment policy was analysed in Chapter One and the specific context of labour administration - structural unemployment and violent fluctuation, was analysed in Chapters Three and Four.

It is hoped that although our method is historical, our results will be of more than historical interest. For what we are analysing is the way in which pursuit of basic economic objectives, led the Chinese from tolerance of a virtually free labour market, through a series of policy cycles to the establishment of a group of



institutions designed to give the state complete and direct control over population movement and employment decisions. When one considers the scale of China's urban labour market; the paucity of the resources available to administer it; and the precedent of Russian failures in labour control, the bid to achieve total control seems extraordinarily ambitious. In these chapters we shall try and explain why it was that by the end of 1957, there seemed to be no alternative to this which was both economically reasonable and politically acceptable.

1949-1952: The underlying view; The establishment of the Labour Bureaux; The immediate problems.

On April the 24th 1945, Mao addressed the Seventh Party Congress on the question of "Coalition Government". This was a crucial moment for the Party which was then exploring the possibility of post war collaboration with the Kuomintang, and in his opening address, Mao spelt out his ideas for the development of China after the conclusion of the civil war. The speech is unusual in Chinese communist literature in that it is focussed neither on immediate issues nor on eschatological visions of the remote future. Power was approaching and what was

needed was a working view of the medium term. This Mao provided. We are concerned here ~~with~~ <sup>one</sup> small section of the speech, that dealing with the agrarian question. In this section Mao said, "The peasants are the future industrial workers of China and tens of millions of them will go into the cities. For if China wants to construct large scale, indigenous industry and to build a great number of large, modern cities: then ~~she~~ will have to undergo a long process of transformation in which the rural population become residents of the cities". There is much in this speech which might be interpreted as tactical, but one can see no reason for thinking that this applies to the sentence quoted above. On the contrary, it seems to us to express Mao's genuine conviction and to be the key to an understanding of employment policy in the early 1950's. For it was this expectation that industrial growth and the development of socialist institutions would combine to eliminate unemployment and secure continuous rural-urban labour transfer, that underlay employment policy up to mid-1955<sup>(1)</sup>.

(1) Mao Tse Tung, Hsuan Chi (Collected Works) (Peking,

The directives on the establishment of the Labour Ministry and its network of subsidiary Bureaux were published in May 1950, although in Shanghai at least, prior to that date labour work had been done by the old Kuomintang Labour Office which had been taken over and allowed to continue operation<sup>(2)</sup>. The directive gave detailed instructions on the administrative structure of the Ministry at the Provincial, Municipal and lower levels and some account of its functions and

(1) (Cont'd)

1964), page 1078. It is interesting to note that in 1949 it was even being said that mechanisation with publicly owned means of production could not lead to unemployment; the argument being that with state control, mechanisation could simply be used to reduce hours worked. See, A Hundred Questions About The Labour Movement, (In Chinese), 2nd. ed., (Peking, 1950) page 69.

(2) CFJP 15.12.1949.

powers. These were further elaborated in a speech by the Minister of Labour, Li Li San. in a speech to the heads of the new Labour Bureaux<sup>(3)</sup>.

The main work of the Bureaux, as defined in the directives, was: (a) to oversee the implementation of labour policy and administrative laws; (b) arbitrate disputes; (c) participate in the drafting of collective contracts (which governed wages, conditions etc.); (d) assist in the implementation of wage policy

(3) The directives and Li Li San's speech are in, Economic Regulations for East China, op.cit. Vol.2, pp. 1678-1689. Li Li San was the author of the famous "Li Li San line" who was removed from the Party leadership in 1930. He was Minister of Labour until 1954 when Ma Wen Jui took over. Ma appears to have disappeared in the Cultural Revolution. See, Donald Klein, "The State Council and the Cultural Revolution", The China Quarterly No.35, July-September, 1968, page 82. It is a reflection on the status of labour work that both Ministers have been politically insignificant.

and (e) do insurance, safety, education and unemployment work. Departments and committees relevant to these operations were to be set up and the Bureaux were to work in the private as well as the public sector.

Although the Bureaux' functions were comprehensively defined, their powers seem to have been more limited and indeed, it is hard to define exactly what they were. This lack of clearly defined authority was to be of great practical consequence in our period since it was one of the prime causes of the Bureaux' ineffectiveness. In theory the Bureaux were given three main powers. These were powers to inspect all aspects of labour administration; to obtain statistics relevant to labour matters and third; to make "proposals". Any proposals made were to be treated with "serious consideration" by managements and "where possible", implemented. The phrase "where possible" of course, takes much of meaning out of the other rights of intervention and in the event of outright refusal by managements to implement suggestions, the directive simply stated that the matter should be referred to higher (unspecified) levels.

Li Li San's speech is useful because it gives an indication of the intentions that lay behind the bare

rules of administrative law. He brought out two fundamental points. The first was that the Ministry's tasks were primarily concerned with workers welfare. He emphasized that the transformation of the economic status and welfare of the Chinese workers would take a long time and that it would be the duty of the Labour Bureaux to supervise the details of this gradual change. In particular, the Bureaux had to watch the behaviour of capitalists and their managers to ensure that the limits of exploitation, which was technically still to be tolerated (with the toleration of the private sector), were carefully controlled. The second point of emphasis in Li Li San's speech was the importance of the work of mediation. Immediately after the Liberation in 1949, workers behaviour verged on anarchy and this decline in labour discipline had serious consequences for output and price stability. In particular the attack on capitalists (which had union backing) was a major factor in the collapse of the private sector. Li Li San stated that it was the Bureaux' job to mediate in these conflicts between Labour and Capital, which in the context of 1950, implied that the Bureaux were to come to the defence of

the capitalists<sup>(4)</sup>. Mediation was not confined to work in the private sector. In the public sector the Bureaux were to mediate between workers and management; and in practice it would seem that the role assigned to them in the public sector was almost exactly the same as that assigned by Lenin to the Trade Unions in Russia: They were to be a bulwark against the inroads of an inefficient and unjust bureaucracy<sup>(5)</sup>.

(4) Mediation work had previously been done by the Unions; but the impartiality which the work required lead to worker dissatisfaction which undermined the usefulness of the Unions as Mass Organizations. See, "The Report of the Ministry of Labour of the Central People's Government", LT No.3, July 1950.

(5) Isaac Deutscher, The Soviet Trade Unions, (London, 1950), Chapter 2.

The main point to notice in all this is that nowhere does Li Li San or the directives emphasize that the Labour Bureaux would be expected to engage in labour planning and control; although even prior to their formal establishment, they were in fact administering a directive on the hiring of temporary workers, and in Manchuria, were involved in manpower planning<sup>(6)</sup>. Of course the general terms of reference were very broad and the definition of the Bureaux wage function implied some form of planning; but basically, control of employment was only introduced through the back door of unemployment administration - which itself was considered an aspect of welfare work.

(6) The Shanghai variant of the regulation is in Economic Regulations for East China Vol.2. op.cit. pp. 1717-1718. Details of the 1950 and 1951 plans in Manchuria are in LT, January 1951 No.6. These plans were drafted in consultation with the North East Regional Government's Ministry for Industry and it is probable that the latter provided most of the expertise.



Unemployment was in fact one of the immediate tasks facing the Bureaux, for in early 1950 unemployment rose sharply under the impact of drastic budgetary measures. These measures included a programme of manpower "simplification" in public sector industry and government organs which added to the unemployment effects of the squeeze on the private sector<sup>(7)</sup>. The seriousness of the problem was recognised and reflected in speeches by Mao, Chou and Chen Yun. In Shanghai, where the situation was aggravated by renewed hostilities the labour situation was described as "**tense**" and mayor Chen Yi said that he regarded unemployment as "the most serious problem at present confronting the People's Government"<sup>(8)</sup>.

(7) The "simplification" drives were started in 1949, but until the budgetary cuts were made in early 1950 they were probably not very effective. See, "Rely on the workers to simplify structure", CFJP 29.7.1949 and "Develop the simplification movement", CFJP 12.8.1949.

(8) Mao Tse Tung Wei Cheng Ch'u Kuo Chia Ts'ai Cheng Ching Chi Chi Pen Hao Pien Erh Tou Cheng (Struggle for a Basic

At the level of general policy, the Government attempted to relieve the situation by slackening the budgetary squeeze and by specific measures to encourage the expansion of the private sector. The Government also affirmed its decision to keep on in employment 3 millions persons in public administration and education, even where there was no work for them and not to demobilise the Kuomin-Tang armies. Underlying these measures there was the confidence that employment difficulties were a short term, transitional problem which would disappear under the impact of general economic advance and we find that theorists at this time were still arguing that one of the main purposes of the Land Reform was to release rural labour for the

(8) (Cont'd)

Improvement in Our National Economy and Finances)

(1950). Chou En Lai was responsible for the 1950 directives published in, HHYP 1950 No.7. page 556. Chen Yi's speech is in, CFJP 30.7.1950.

towns(9).

In addition to these general measures there were directives on unemployment. These stipulated that most of the relief grain was to be given in the form of wages for public works and capital for the establishment of small scale producing and service units to be staffed by the unemployed. Other assistance was to be given to enable peasants to return to their villages and in the last resort, as pure relief. These forms of relief recur regularly during the 1950's, and for convenience we shall refer to them as "The Four Ways". The criteria for receiving relief of any kind were however fairly strict. Only those who had lost employment since 1949

(9) For details of employment policy in late 1949 see, Chen Yun, CFJP 5.12.1949. A good example of the optimistic view of employment prospects is, "The problem of unemployed workers", Shanghai Kung Shang Tzu Liao, (Materials on Shanghai Industry and Commerce) 4.2.1950. The note on Land Reform is, "Why is Land Reform a pre-requisite for industrialization", HH Ser. I No.6, 25.2.1950, page 15.

and who had no work or supplementary form of income of any kind were to benefit. As far as possible relief funds were to be raised by levies on enterprises and by workers in employment contributing a day's pay to the fund.

The administration of unemployment relief was in the hands of special committees under the Regional Military Governments and in practice, the Labour Bureaux. The Bureaux also alleviated unemployment by the establishment of special offices to register and find work for unemployed skilled workers, teachers and intellectuals<sup>(10)</sup>.

(10) The Central Government and Shanghai directives on unemployment are in, Economic Regulations for East China, Vol.2, op.cit. pp. 1799-1827. Although the Central Government directives were not issued until June, the Shanghai Military Government had introduced relief measures in May which anticipated (or influenced) the Central directives. Relief measures for students, teachers and intellectuals were introduced after the main directives had been announced. For a retrospective view of these see, Lan Chih P'ia "My country's unemployment relief and employment", CCCP No.21. 29.5.1954, pp.1-7.

The reports of the Labour Ministry for 1949 and 1950 confirm that the Bureaux main work in these years was mediation and unemployment. These issues were in practice closely related since one of the key areas of dispute, particularly in the private sector, was the issue of hiring and firing. This problem raised an awkward dilemma, for on the one hand the Government knew that capitalists had to keep costs under control to remain viable and that toleration of private enterprise implied some toleration of freedom in labour matters, yet on the other hand, unemployment had to be controlled as far as possible. The job of reconciling these conflicting objectives constituted the main work of labour administration in this early period and out of this work, emerged the first set of rules governing the hiring and firing of workers<sup>(11)</sup>.

(11) In February the Labour Bureau in Shanghai affirmed that all sacking required Bureau agreement and after publication of the unemployment directives, the Bureau added that in principle, all hiring was to go through the Bureau as well. However, at the same time as the

(11) (Cont'd)

Bureau was dealing with illegal sackings, as part of the campaign to revive capitalism we find Ma Ch'un Ku (Head of the Shanghai Labour Bureau), pointing out that realistic manning standards were bound to involve some sacking. One loophole in these early rules was toleration of limited hiring of temporary workers who did not have to pass through any official machinery. In practice the regulations governing the use of these workers were widely ignored and in this way employers achieved more flexibility in labour force management than they would otherwise have had. See, "Abstract of the work report of the Shanghai Municipality Labour Bureau", LT No.1 February 1950. "Directives on unemployment relief", CFJP 20.6.1950. "Report on present Labour-Capital relations in Shanghai", CFJP 19.10.1950. "The Labour Bureau makes a timely reversal of illicit sackings at the New Life Shop", CFJP 16.6.1950. "Illegal hiring of temporary workers", CFJP 19.1.1951.

In 1951 however, the upturn of the urban economy presented the labour administrators with a new set of problems. Employment rose very rapidly as is indicated by unemployment data in Table 36. As unemployment decreased the tensions and social problems associated with unemployment began to subside - and confidence in the long term prospects for urban employment was renewed.<sup>(12)</sup>

(12) There is plenty of evidence that social unrest and disorder was related to fluctuations in employment. For example there were reports of riotous conditions in Canton in mid 1950 when unemployment became acute. However after the improvement in the employment situation in 1951, a sharp decrease in robberies was reported in Shanghai. See, "40.000 unemployed workers in Canton ask for work without result", Hsing Tao Jih Pao (Hong Kong) 15.7.1950. "Robberies show a sharp decrease in Shanghai" HWP 27.8.1951 (SCMP 184).

Table 36. Numbers of registered unemployed in all urban areas, East China and Shanghai. 1950-1951

		<u>Mid 1950</u>	<u>End 1950</u>	<u>Mid 1951</u> 000's
<u>All urban areas</u>	a.	1.660	610	450
<u>East China</u>	b.	570	280	130
<u>Shanghai</u>	c.	170	n.a.	46

Sources: a. A report by Chen Yun reprinted in, Ssu Ying Kung Shang Ye Ti She Hui Chu Yi Kai Tsao Cheng Tse Fa Liang Hsuan Pien (Select Compendium of Policy (Statements) and Laws concerning the Socialist Reforms of Private Industry and Commerce). (Peking, 1957).

b. Ts'eng Shan "Report on financial and economic work in East China", CFJP 27.11.1951.

c. "100.000 Shanghai workers return to production posts", CFJP 8.1.1952.



These result of the<sup>se</sup> developments was that the emphasis in the Bureaux' work switched from control of firing to control of hiring; and although the Unions were still formally involved, the right of employees to leave a job was affirmed and the right to fire was given a broader interpretation than had been the case in 1950(13). Another effect of the increase in confidence was a broadening of the criteria for giving relief, and by December the Government was able to renew the programme of administrative simplification without fears of serious unemployment consequences(14).

(13) "Recruitment of workers and job jumping serious problems in Shanghai", CFJP 11.10.1951 (SCMP 212).

"The establishment of New Democratic Labour-Capital relations and current problems", LT Ser. II No.1, September 1951. This article emphasized that "Unions and Labour Bureaux should not excessively limit sackings".

(14) "Broaden the scope of unemployment relief, CFJP 20.11.1950. "Resolutely struggle against waste and corruption", JMJP 23.11.1951.

Thus the real work of the Bureaux in 1951 was to control the effects of a tight labour market. It was realised that shortages of skilled labour and the growth of unscrupulous hiring practices constituted a threat to the public sector, which in the "era of planning" which lay ahead, could assume serious proportions. This led to the implementation of a new measure to control the flow of labour between the main administrative divisions and at the same time we begin to see demands appearing that in the long term, the Bureaux should aim to establish a comprehensive machinery for controlling all employment decisions<sup>(15)</sup>.

(15) The regulations appear in, LT No.5 December 1950 and LT No.11 June 1951. On the case for overall hiring see, Chiang To, "The theoretical basis and fundamental tasks of unified labour allocation work", CCCP Ser. 13 No.20, 15.11.1951, pp.386-387.

In the first half of 1952 the labour market was again transformed; This time by the Three and Five Antis movements. These attacks on bureaucracy and capitalism were accompanied by a wave of sackings and the seriousness of the situation was reflected in repeated undertakings that workers who participated in the political work of the movements would be safeguarded from victimisation and unemployment<sup>(16)</sup>.

(16) Sackings and sometimes riots were reported in Canton, Chungking, Swatow, Chekiang and Wuhan. See, "30.000 unemployed", Kung Shang Jih Pao (Hong Kong) 16.6.1952. "Two hundred unemployed Huan pottery workers demonstrate", Kung Shang Jih Pao 14.10.1952. "Correct the phenomenon of sacking workers and staff in the public and private sectors", "Chungking Jih Pao 14.10.1952. "The city of Hangchow agrees on eight practical measures", Chekiang Jih Pao 5.2.1952. "Unemployment relief work in Wuhan city during the past two years", Chang Chiang Jih Pao 29.9.1952.

But these were largely empty promises and it is evident that the unemployment consequences of the Five Antis movement were a major factor in bringing it to a halt in May 1952. By this time however, urban unemployment was again high and confidence in the prospects for urban employment growth again shattered<sup>(17)</sup>. The seriousness of this collapse was intensified by the fact that the first round of agrarian cooperativisation had increased rural unemployment and accelerated the flow of peasants to the cities. The situation called for radical measures, and in the first instance, these took the form of the

(17) There are many reports which indicate lack of confidence in the Government's ability to solve urban unemployment problems in mid-1952. This pessimism was reported to be widespread within Government organs as well as in the among the public at large. See, "The Tientsin branch of the All China Federation of Trade Unions makes its reply", Tientsin Jih Pao (Tientsin Daily) 2.8.1952.

employment Decisions of 1952.

The Decisions on Employment

These Decisions were a major document in the sense that they constituted the first admission that unemployment was a serious problem and would remain so in the medium term. The Decisions also acknowledged that unemployment had grown as a result of urban and rural economic reorganisation and was not simply a problem inherited from the Kuomintang. However, the Decisions were still basically optimistic and although they emphasized that unemployment arising from structural reorganisation would continue, they foresaw rapid absorption of unemployed workers when the era of large scale construction arrived. The Decisions envisaged four lines of immediate attack on the problem; the control of participation rates; a general ruling requiring that redundant employees be kept in employment; strict control of hiring and firing; and enlargement of the unemployment work of the Bureaux<sup>(18)</sup>. Let us consider these briefly in turn.

(18) "Decisions on the problem of employment",

JMJP 4.8.1952.

Control of participation concentrated on female participation and time. The question of working women was an extremely difficult one throughout our period since the demand to participate in the work force was considerable and the Party's experience of economic administration in wartime had convinced it of the potential value of women workers. Yet we find that whenever the urban labour market contracted, the whole apparatus of persuasion and propaganda had to be mobilised in an effort to keep women out of the labour force. This is what happened in 1952, although it was emphasized that restriction on female participation was only a short term measure which would be unnecessary when large scale construction began<sup>(19)</sup>.

(19) See, Mao Tse Tung, Ching Chi Wen T'i Yü Ts'ai Cheng Wen T'i (Economic and Financial Problems) (3rd.ed. Hong Kong, 1949) passim for appreciation of the value of female labour. After the directive had been published the All China Women's Federation was mobilised to support the new limitations on female participation in the labour force. See, "The All

Control of working hours was not an entirely new departure. An eight hour day was stated by Li Li San in 1950 to be the long term objective, although immediate implementation was thought at that time to be impracticable. By 1952, it was appreciated that employment considerations reinforced this long term, humanitarian view and a rigorous campaign was started to initiate two and three shift systems, each shift being a maximum of eight hours<sup>(20)</sup>. The Journal of the Labour Ministry, Lao Tung (Labour), devoted an entire issue

(19) (Cont'd)

China Women's Federation notifies all levels of the Federation to cooperate in the implementation of the Central People's Government, State Council's decisions on employment", JMJP 10.8.1952.

(20) It was claimed that even prior to August 1952, the Party organisation had been fighting managers and capitalists to get multiple shift working introduced. See, "(The Party) cares for workers welfare; settles a thousand unemployed in work", NEJP 1.5.1952.

to this topic and quoted with approval an example of a factory where shift reform had resulted in a 74% increase in the labour force(21).

The third aspect of participation, age, is one we know little about. It seems probable however, that age participation was also subject to further restriction around this time. For we know that, whereas Li Li San was saying that in 1950 premature enforcement of restriction on child labour would be wrong, by 1955 a survey of the labour force in the public sector showed very small numbers of employees under the age of sixteen.

Control of redundancy unemployment had been started in 1949, relaxed in 1951 and renewed in late 1952. After the 1952 directive it had two aspects. First there was the question of redundancies arising from rationalisation in all sectors. The rule here was that redundant workers were to be kept on the pay

(21) LT Vol. 11 No.5, November, 1952.



roll until alternative work could be found<sup>(22)</sup>.

Second there was the question of the private sector, where the task of the Bureaux was much more delicate for their task was to try to reverse the whole trend of sackings and encourage capitalists to begin hiring again.

These policies implied the renewal of the attempt to control both hiring and firing. The latter was particularly important since the Bureaux' power in this respect had suffered some attenuation in 1951. However, care had to be taken that the new rules were not applied too rigidly to the private sector, since if, in effect, hiring was made irreversible, this would act as powerful

(22) See, "The Decisions", op.cit. note 18. An interesting discussion by the Head of the Shanghai Bureau on the policy of retention and instructions to the private sector are in CFJP 27.8.1952 and CFJP 17;8.1952. The Unions were also instructed to encourage private sector hiring and control time participation, see, CFJP 2.12.1952.

disincentive to potential employers - particularly those engaged in businesses where labour requirements tended to fluctuate sharply<sup>(23)</sup>.

The Decisions resulted in considerably increased activity in for the Bureaux and to some extent in increased prestige. There was certainly scope for improvement in the administration of unemployment which was thoroughly overhauled as a result of the

(23) See, "The Decisions" op.cit. Also an explanatory article, "Problems of employment", JMJP 16.9.1952. For an example of local application of the general principle of control see, "All state and Private enterprises must contact the Labour Introduction Office when Hiring", NFJP 23.9.1952 and "Fix the unemployment training plan and settlement programme", NFJP 18.2.1953. One extraordinarily tricky area of hiring control discussed in these articles was that of small scale firms which changed the character of their business. This sort of trade switching was frequently a device to shed unwanted employees and the Labour Bureaux had to keep a special eye on these situations and judge the employment implications of each case on its merits.

Decisions<sup>(24)</sup>. The earlier unemployment directive had suffered from failure of the Bureaux to allocate administrative resources to unemployment work and it was also intrinsically difficult to administer. Criteria for registration were too narrow and the formalities of registration were too complex. Moreover we have to realise that throughout the 1950's there was a widespread and justified fear of registration of any kind which the directive did nothing to

(24) Accounts of embezzlement of unemployment funds and various forms of maladministration are numerous, see for example Tientsin Jih Pao 6.1.1952, Chungking Hsin Hua Jih Pao 18.4.1951, JMJP 24.3.1952, Sian Ch'un Chung Jih Pao (Sian Masses Daily) 10.10.1952. An authoritative account of the confusion which arose as the result of the multiplication of types of registration is, "Report on unemployment work in 1950" LT No.7, February 1951.

alleviate<sup>(25)</sup>.

To overcome these problems the scope of the registration was broadened, formalities simplified and the new round of registration accompanied by a

(25) Fear of registration was based on the role played by the Public Security organs in this work. In March 1950 the Public Security Bureau took over Hu K'ou registration in Shanghai and we have a detailed case study of the character of this work in Peking in 1950. It was reported in Peking that population registration had taken the form of a mass movement to "distinguish good from bad" and had yielded to no less than 208 guerillas, 2676 arms caches and 15,318 persons who had attempted to evade registration. See, CFJP 11.3.1950 and JMJP 4.2.1950. This general fear of registration was undoubtedly reflected in difficulties in unemployment registration. Some misgivings were removed in 1952 but in 1955, Shanghai Roman Catholics were still reported as saying that: "unemployment registration is a sugar coated artillery pill", HWP 9.9.1955, translated in, URI Research Service Series, September 27th 1955 No.4.

large scale public relations campaign<sup>(26)</sup>. These measures had some success. Indeed too much, for they lead to a widespread exodus from undesirable occupations in rural and urban areas by persons who hoped that unemployment registration might prove the most direct route to new and more attractive work in the public sector<sup>(27)</sup>.

(26) "Methods for unemployment registration",  
JMJP 30.8.1952.

(27) See for example, "Gradually and by plan strive to do employment work well", CFJP 11.9.1952. In Peking and Chungking it was reported that on hearing of the employment decisions, peasants surrendered their land to local peasant associations and with cadre assistance moved into the cities, see, CFJP 11.9.1952.

For most of those who were put on the register however, the prospects remained those of the "Four Ways", although these were interpreted more liberally and underwritten with more substantial assistance than previously<sup>(28)</sup>.

There were two new developments in the Bureaux' work connected with the Decisions. The first was that unemployment work and the work of assignment and introduction were linked firmly together. Efficient unemployment procedures were seen to depend on voluntary submission to Labour Bureau job-finding procedures<sup>(29)</sup>.

(28) The "return to the countryside" in 1952 was not quite what was intended in the 1950 regulations. In 1950 the problem had been primarily that of returning recent refugees to the countryside; in 1952, the emphasis was on the possibility of absorbing labour in rural areas by a positive policy of land reclamation.

(29) An explicit statement of the principle that choice of job would not be possible before full employment is in, "Questions and answers on employment", Tientsin Jih Pao 29.10.1952.

The other change was the reversal of Li Li San's definition of the Bureaux' relations with the private sector. The key word in 1950 had been mediation. In 1952, as a result of a bitter struggle in the Five Antis campaign, it was changed to partisanship; a change which must have hindered the Bureaux in their efforts to increase employment in the private sector<sup>(30)</sup>.

(30) The Five Antis had a traumatic effect on the Labour Ministry and its Bureaux. No issue of the Ministry's monthly Journal Lao Tung appeared between November 1951 and September 1952, when it re-emerged with the new employment Decisions. The struggle in the Bureaux was between three groups those who argued that the Bureaux should defend capitalists; those who argued for impartiality in the context of the "bloc of four classes"; and those who wanted the Bureaux to support the workers. See, "Correct rightist thought tendencies in the workers movement in private factories in An Tung", JMJP 7.2.1952.

The changes in the employment situation brought about by the general measures to stimulate the urban economy in mid 1952, and by the employment Decisions, were all considered as short term palliatives. In the <sup>longer</sup> ~~larger~~ run, a programme of rapid industrialization was seen as the solution to urban employment problems. Moreover even the <sup>longer</sup> ~~larger~~ run was only thought of as a period of three to five years and it seems plausible to think that the timing of the plan itself may have been brought forward in the light of the unemployment situation in late 1952. For there is evidence that there were many who regarded the decision to launch a major effort in 1953 as premature and dangerous. Yet without such a plan in immediate prospect, the arguments of the Decisions would largely fall to the ground, since once the upswing had brought the economy to full capacity in late 1952, the prospects for subsequent employment growth would be poor<sup>(31)</sup>.

(31) A period of three to five years was specifically mentioned for the solution of the unemployment problem in East China, see "East China holds an employment conference", CFJP 16.8.1952. It is interesting to



(31) (Cont'd)

note that in mid-1950 Mao and others were envisaging a recovery period of 3-5 years. If the First Plan was brought forward in the light of employment considerations this would constitute on a parallel with the Soviet Union. See, "The present financial and economical situation and the economic plan for 1950", CCCP Ser.10, No.19, 11.5.1950. Margaret Dewar, Labour Policy in the U.S.S.R. 1917-1928, (London, 1956) page 156 and Deutscher op.cit. pp.67-68.

1953: The employment strategy of the First Five Year Plan; the beginnings of manpower planning.

In the closing months of 1952 the urban economy began to warm up for the First Five Year Plan. We do not know what rate of industrial and construction growth had originally been planned for 1953, but since we know that the construction plan was cut twice early in the year and still achieved an increase in output of 66%, the presumption must be that the earlier control figures were very high indeed<sup>(32)</sup>. Similarly, we do not know what rates of growth were envisaged for the whole of the First Plan period. The final version of the Plan which appeared in July 1955 had been scaled down in 1953 and 1955, although even this version had a planned rate of industrial growth of 14.8%. This seems to indicate that in late 1952, when plans were still very ambitious, it was hoped that China's first plan would have output and employment growth rates of the order of magnitude of those in the First Russian

(32) TCKT No.7. (October 1954), page 3.

Plan<sup>(33)</sup>. Such a plan could have been taken to imply full urban employment and net labour transfer from the rural sector. For, over the whole of the period covered by the First and Second Russian Plans, industrial employment had grown at 15.9%; and during the peak period, 1929-1932, the industrial labour force increased from 3.1 to 8 millions. During the First Russian Plan, two thirds of the entrants to the labour force came from the rural areas and between 1926 and 1939, the urban population more than doubled and increased its share of total population from 17.9% to 32.8%<sup>(34)</sup>.

(33) The planned rate of industrial growth in the First Russian Plan rose during the course of the Plan period from 21.4% to 25.2% per annum. Views on the extent to which the Plan fulfilled its aims vary. Hodgeman estimates that annual growth rate of industry between 1927/8-1933 was 11.5%. The official index claims a rate of 18.5%. See data in Harry Schwarz, Russia's Soviet Economy (Prentice-Hall Inc. 1958), page 136.

(34) Data from H. Schwarz op.cit. pp. 32 and 521. Solomon M. Schwarz, Labour in the Soviet Union,

Why did the Chinese think that they could emulate the Russian performance? First, there was the general notion that since before 1917, Russia like China had been a backward, semi-feudal, asiatic country, what had been achieved in the one should be possible to the other. Second, there was the case of Manchuria, where, even before 1949, there had been industrial transformation sufficient, at least momentarily, to produce net inter-sectoral labour transfer, and where by 1952, there were high levels of urban employment and some absorption of labour from rural Manchuria as well as from other parts of China<sup>(35)</sup>. For the First Plan

(34) (Cont'd)

(London, 1953) and S. Swianiewicz, Forced Labour and Economic Development, (London, 1965) Page 150.

(35) According to Chang Ch'en Ta, between 1934 and 1944 the rural population of Manchuria declined from 84.7% to 67.4% of the total population, see Tung Pei Ching Chi (The Economy of North East China) Taipei 1954) pp. 24-25. For a typical view of Manchurian

period, Manchuria was repeatedly described as the model which the rest of the economy could be expected to follow. What had happened in Manchuria between 1948 and 1952 was confidently expected to be the general case between 1953 and 1957. A third consideration which could have been used to underwrite an optimistic view of the Plan's prospects, was the national economic performance between 1949 and 1952. During this period industrial growth had proceeded at 34.6% per annum and industrial employment at 19.8%<sup>(36)</sup>. It was therefore

(35) (Cont'd)

employment experience and its relevance see, "The number of employed persons in the North East has increased enormously", NFJP 25.9.1952.

(36) Emerson, Nonagricultural Employment, Table I. Industrial production is the official index, Ten Great Years page 87.

tempting to think that if the limitations of existing capacity and other constraints could be dissolved in the magic of "planning" and socialization, the economy might be able to maintain a performance of the order reached in the recovery period.

The validity of this reconstruction of Chinese expectations in late 1952 is borne out not only by the specific expectations of the employment Decisions, but also by the literature on the population problem which appeared in some profusion in 1953 as a by-product of the first national census. We can illustrate this by reference to an article typical of those published at this time<sup>(37)</sup>. This article discussed the view that China was "over-populated" with close reference to employment issues and dismissed it on several grounds. First, it found the static concept of a "normal" population inadequate in a world where production relations and production were dynamic. Second, it

(37) Yen Chien Yü, "From a few population questions discuss the great significance of the population census", Hsin Chien She (New Construction) 1953 No.5.

showed that in the plan period, the Soviet Union had eliminated unemployment, and the article further quoted the radical redistribution of population which had taken place in the 1930's. Third, the article argued for an optimistic view of employment prospects on the grounds that "the last three years show that the surplus population concept is rubbish". And finally, apart from industry, it was pointed out that there was scope for employment absorption in agriculture, where the cooperativisation movement would generate employment in secondary occupations and where there were further possibilities in the programme for land reclamation. It is worth noting, that even at this point, when confidence in industrial employment prospects was high; the agricultural cooperatives are already being transformed from the control mechanism through which labour was to be supplied to the urban areas, into a possible means of increasing total employment.

The work of the Bureaux; the beginnings of manpower planning.

At the national level, the work of the Labour Ministry in 1953 was probably very modest in scope. For although manpower planning in Manchuria was quite advanced by this time, the economic reports for both 1952 and 1953 suggest that there was no comprehensive national labour plan for those years. There were indications however, that the scope of the Ministry's interests was broadening<sup>(38)</sup>. The absence of

(38) The 1952 Plan was very limited in all respects. The labour data quoted in the Plan's out-turn were, (a) the number of workers and staff in State Economic departments and (b) productivity increases in centrally controlled industrial enterprises. The 1953 out-turn included data on all workers and staff in the public and private sector broken down in some detail. Productivity increases were given for workers in industrial enterprises in the public sector and wage increases were given for the same group in real terms. In neither of these two reports were the out-turn data compared with



comprehensive manpower planning implies that any planning that took place must have been at the local and ministerial levels, and that such plans as were produced in this way were either too unreliable or too untimely to make more ambitious planning possible.

In the absence of proper planning, the work of the Bureaux in 1953 consisted largely of trying to control hiring and of satisfying the demand for labour in the public sector as it arose. Primarily, this was a question of organising labour supply for the departments with the fastest planned rates of growth, above all, basic construction<sup>(39)</sup>.

(38) (Cont'd)

any plan. See, "State Statistical Bureau Report for 1952", KSC 1953 No.7 pp.38-42, and "State Statistical Bureau Report for 1953", TCKT 1954 No.7. pp. 1-8.

(39) See, "Main tasks of the Central Government Ministry of Labour 1953 work plan", LT 1953 No.3.

Basic Construction work involved training workers and the development of effective means of controlling and allocating the total construction labour force. This proved extremely difficult<sup>(40)</sup>. First, because the context of high levels of urban employment meant that dissatisfied workers could always escape official assignment and find alternative work. Second, because construction management cadres, faced with work loads nearly twice as high as 1952, were prepared to ignore and circumvent the planned assignment apparatus if it suited them and was necessary to ensure fulfillment of physical output targets. And third, because the Government had abolished the old work gang system (pao t'ou chih) which had the effect of atomising the construction labour market. This last point is of considerable importance. There was a case on both social and economic grounds for the

(40) There was a particularly severe construction labour crisis in the North East in early 1953 which followed the abolition of the pao t'ou chih in 1952. See, Tung Pei Jih Pao 10.1.1953 and Tung Pei Jih Pao 13.4.1953.

elimination of the construction job brokers. But in the short term this made control of the work force extremely difficult and the whole machinery of control which was established in the industry between 1953 and 1955 was in some ways a functional substitute for the old system<sup>(41)</sup>.

The main feature of the new system, following the Manchurian model, were rules for registration and introduction and the establishment of local "Labour Balancing Committees" in areas where the work involved was considered to be too great to be handled by the Bureaux alone. These Committees had representatives of all parties interested in labour supply sitting on them and they attempted to match local supply and demand of construction labour<sup>(42)</sup>.

(41) The pao t'ou chih was also abolished in the traditional transport sector. It is interesting to note that in this case it did not lead to any problems. In the mid 1950's, unemployment was the main problem in this sector so that the workers were in no position to frustrate plans made for them by labour administrators.

(42) NFJP 25.9.1952. LT 1953 Nos.2 and 10 have particularly relevant materials ~~here~~ on this.

In the event of net excesses, balancing Committees in different areas could cooperate with each other to secure inter-regional balance. One over-riding principal in the work of the Committees was that they had to operate within a framework of priorities determined by the Government(43).

The effective operation of the Committees (in which the Labour Bureaux played an important part) implied a continued effort to control all hiring and the introduction of new powers to order the transfer of personnel who were engaged in one enterprise but deemed to be more urgently required elsewhere(44).

(43) The priorities in construction were, (1) defence (2) industry (3) "ordinary" (4) repair. See "A summary of unified allocation of construction workers in Tientsin", LT 1953 No.2.

(44) "The experience of the Anshan Iron and Steel Company in transferring cadres from the production department to build up the basic construction work force to full strength", JMJP 11.12.1952.

We saw in Chapter Four that control of hiring in 1953 was not very successful, but we may note that in embryo hiring control took a step nearer to labour planning in 1953 because the demands made to the Bureaux were so unrealistic that the Bureaux were forced to devise rules of thumb which could be used to convert work loads into labour requirements. In other words the Bureaux began to take an interest in labour work at the enterprise level(45).

It is difficult to assess accurately the success of this work in 1953, but from what evidence we have it appears to have been fairly slight. One interesting indication of this is a report of the out-turn of the labour plan of a large construction enterprise in Anshan. This revealed that actual labour requirements had been 34% higher than had been estimated; that the number of staff employed was 58% above that necessary according to normal standards and that the productivity plan had been under fulfilled by 34%. This seems to indicate that enterprise level planning in the construction industry was still at the

(45) CFJP 17.1.1953.

"Bachanallian" stage(46).

Closely related to the Bureaux' work in construction and employment control was a new emphasis on the control of general population movements. In spring 1953, the upswing of construction in the towns and the general optimism surrounding the introduction of the Five Year Plan combined with grain shortages in the rural areas to stimulate a large flow of peasants into the cities. The authorities attempted to control this influx by directives, but in Autumn, the poor harvest and widespread natural catastrophes, lead to a renewed inflow. Construction and illicit hiring both served to facilitate this migration and recognition of this was one of the motives behind the general tightening of employment control in late 1953(47).

(46) "An initial analysis of management in 1953",  
TCKT 1954 No.4.

(47) Directives on migration appear in LT 1953 No.4.

Autumn 1953 to Autumn 1955

The two years between the end of the "Leap Forward" of 1953 and the "High Tide of Socialism" in the countryside in Autumn 1955 have been comparatively neglected by students of China's economy in the 1950's. They tend either to be ignored or to be subsumed in an analysis of the whole First Plan period. This neglect is unfortunate, since it was precisely the inability of the Government to solve the problems implied in the First Plan within the institutional framework as it operated in these years, that lead to the cycle of radical upheavals which lasted from late 1955 to the Great Leap Forward in 1958. The reasoning behind these upheavals cannot be understood without reference to the problems which seemed insoluble within the rules of the system they largely destroyed. In this section we are concerned with one aspect of this process of evolution. But our analysis of the crisis in the work of the Labour Bureaux is probably indicative of what could be found for other sectors if they were examined in similar detail.

For employment work, the most vital feature of

this period was the slowing up of employment absorption. Indeed by 1955, it would appear that in some sectors of the urban economy there was substantial disabsorption<sup>(48)</sup>. These developments were contrary to the expectations generated by the employment directive and in all probability to those who had framed the early drafts of the Plan. We have therefore to ask why it was that two years after the implementation of a Plan expected to lead to the rapid elimination of urban unemployment, unemployment was visibly increasing? The first miscalculation arose from the way in which false analogies between China and the Soviet Union had been accepted. It seems probable to us that the planners and the Party allowed some real similarities of political history and social structure to obscure the differences in resource endowment and the

(48) The construction labour force declined in 1954 and 1955. In the trade and food sectors, we estimate a net loss of 1.462.000 jobs between the end of 1953 and 1955. This is based on data for the private sector in The Socialist Reform of Private Commerce, Materials, op.cit. For the public sector we have used Emerson, Nonagricultural Employment. Table 3.



size of the initial industrial and employment base which were of critical relevance to the formulation of economic plans. These differences made industrial growth rates of the order achieved by the Soviet Union unrealistic for the Chinese on almost any assumptions about the prospects for foreign assistance, and implied employment absorption of a lower order, even had the very high rates of industrial output growth been achieved(49).

(49) The speed and character of employment re-allocation depends on the initial structure of the work force and the speed at which its components are changing. Basically, industrialisation **involves** employment in the industrial sector growing more rapidly than the work-force and total population. However, if the initial base of industrial employment is very small, even rapid growth of industrial employment will have to be sustained over a very long period before any significant transformation has taken place. If we take employment in industry as a percentage of total population as an indicator of the initial base, comparison between Russia and

The employment implications of this were intensified by the fact that whereas productivity growth in the First Soviet Plan was not high (and substantially below the planned rate), in China productivity growth was rapid. Thus whereas in Russia the tendency to capital intensity was offset by slow productivity growth, in China it was not (50).

(49) (Cont'd)

China indicates how backward the latter was. In Russia, in 1926, (Three years before the First Plan), employment in large scale industry was equal to 1.9% of total population; for China, in 1949, the figures range between .2% and .5% depending on one's choice of data. Soviet data in S.Schwarz, op.cit. Chinese data in Ten Great Years page 183; but see also data on employment in industry quoted in, Yuan Li Wu, An Economic Survey of Communist China, (New York, 1956) page 37.

(50) For Chinese data see Table 28 in Chapter Three. The Soviet data is in, Naum Jasny, Soviet Industrialization (Chicago, 1961) pp. 104-108. According to

The Chinese Plan as implemented in these years had other implications that were prejudicial to urban employment growth. We saw in Chapter 1 the way in which the rigid and over-centralised finance system designed to guarantee the supply of resources necessary for the key point projects had a deadening effect on other forms of economic activity. The consequences of this for employment were disproportionately severe because fiscal strictness bore particularly hard on locally managed construction and small scale activities both of which were fairly labour intensive. And it is notable that we have one directive which indicates that even where mild budgetary relaxation was allowed, there was a specific instruction that the relaxation was not to be used to hire additional personnel in the public sector(51).

(50) (Cont'd)

the latter, labour productivity in large scale industry fell 35%-40% between 1929 and 1932 - years of very rapid employment growth.

(51) "Carry through the policy of finance work being subordinated to production", NEJP 24.4.1954.

Another aspect of the concentration of resources in the key projects in the public sector was that it implied a repressive policy against the private sector, and the effects of such repression in 1954 and 1955 were compounded by the effects of other unforeseen factors such as the cessation of the Korean war. Lowering the level of activity in the private sector also had disproportionate effects on employment, since small scale businesses under pressure took every opportunity to rid themselves of labour, not only because they were reluctant to accept long term obligations to their employees, in the face of uncertain future prospects, but also because they wished, wherever possible, to avoid being classified as capitalists and thereby laying themselves open to direct political pressures of the most unpleasant character<sup>(52)</sup>. In urban commerce for example,

(52) An interesting article published in 1955 stated that over-manning was common in private industry and that socialization would therefore make the labour market even more difficult for infiltrators from rural areas. The implication of this is that after socialization, this excess manpower would be thrown onto the

enterprises with two or more employees were classified as capitalist and thereby liable to reform rather than cooperativisation. As there were many enterprises near this limit, it is not surprising to find that the decline of hired labour in commerce between 1953 and 1955, took place at a more rapid rate than the decline of total employment in that sector<sup>(53)</sup>.

(52) (Cont'd)

urban labour market. See, "Surplus labour in Canton should return to the countryside", NFJP 30.12.1955 (SCMP 1261). Another revealing article on the handicraft industry in Canton stated that the handicraftsmen "dare not hire men". See, "Strengthen the work of leading and helping the handicraftsmen", NFJP 2.11.1953.

(53) This definition is in, The Socialist Reform of Private Commerce, op.cit. The data on the decline in hired men is for all areas. See, Ch'ien Hua et.al. op.cit. Table 2 page 9.

Another aspect of the drive to reduce budgetary expenditure in 1954 and 1955 was a renewed round of manpower rationalisation in the public sector. This affected all categories of employment and was a specific reversal of the policy of the 1952 employment decisions which had required the indefinite retention of personnel made redundant by increased productivity.

The main drives for rationalisation were in February 1954 and April 1955; and in July 1955, there was an important conference of Labour Bureau chiefs in which the role of the Bureaux in this campaign was worked out <sup>(54)</sup>. The main emphasis in the campaign was on persons not engaged directly in productive work. The degree of manpower excess which had built up in the early 1950's is indicated by reports that in some departments only two thirds of the office staff had

(54) The People's Daily editorials which signalled the start of these campaigns were published in JMJP 24.2.1954 and JMJP 17.7.1955. The conference is reported in, "(The Labour Chiefs) emphasize the importance of labour management and similar problems", JMJP 17.7.1955.

any meaningful activity and that in the Anshan iron and steel complex only 52.3% of the total labour force was actually engaged in production<sup>(55)</sup>. Although the measurement of productivity change is notoriously difficult, particularly in work outside the productive departments, there can be little doubt that the employment decisions and the cyclical mechanism analysed in Chapter 4 had resulted in substantial overmanning after the subsidence of the 1953 boom. In 1954 and 1955 the situation was further aggravated by the natural pressures to increase employment in the public sector to offset disabsorption elsewhere.

The campaign to control the growth and ultimately reduce the absolute size of the bureaucracy and non-productive labour force took two forms. First there

(55) See JMJP 17.7.1955 op.cit. above. Very interesting materials on the proportion of "non-productives" in different types of enterprise are contained in the 1955 Survey of the Labour Force, HHPYK 1957 No.2 pp. 87-89. Data on Anshan are in, "A serious waste of manpower in the Anshan Iron and Steel Company", Kung Jen Jih Pao 27.5.1955 (SCMP 1076).

was an attempt to devise standard structures of work differentiation which could be applied throughout an administrative or industrial system. The model for this type of work was the railway system, which had borrowed the personnel structure of the Soviet Railway system<sup>(56)</sup>. The second foam of attack was the drive to enforce retirement of those rendered unfit for work through age or sickness. The lack of retirement in accordance with the insurance regulations had reached serious proportions by 1955, and constituted an unplanned and wholly unwelcome increase in the participation rate. The problem being that the regulations only had the force of law for a minority of enterprises and that the existing regulations had a built in incentive for some people to stay in work after retirement. The Labour Bureauax were therefore called upon to implement new retirement rules for state administration organs and to devise alternative work and income arrangements sufficiently attractive and credible to make people willing to leave their unproductive positions in the

(56) LT 1955 No.6 and LT 1955 No.11 have particularly interesting materials on this work.



public sector. In 1955 this latter was virtually impossible<sup>(57)</sup>.

The third aspect of this campaign was a renewed drive in 1955 to stop all additional hiring and to satisfy labour requirements in the public sector by re-assignment of existing workers and staff. Apart from specific directives on the subject, there was in this period the introduction of a new note of harshness in labour administration. In late 1953 we find the first important directives on the general question of labour discipline and in 1954, the power of managements over their workers was greatly strengthened by the introduction of a formalised set of rules governing intra-enterprise work organisation<sup>(58)</sup>.

(57) See note 21 Chapter Two.

(58) "Decisions on labour discipline" 26.8.1953, HHYP No.47. "An outline of intra-enterprise regulations for state enterprises", Kuang Ming Jih Pao 14.7.1954. The latter included the rule that employees could not leave their work without permission. In 1955, an article on labour control commented that, "those who

The effects of this campaign to control public sector employment on overall urban employment must have been considerable, for in some areas it was reported that Government organisations had cut their staff by 50%<sup>(59)</sup>. It is difficult to separate out the effect of the individual factors on employment change but the net effect on industrial productivity can be seen in Table 37.

(58) (Cont'd)

without reason refuse to submit to assignment should be punished", LT 1955 No.7.

(59) An example in South China was reported in The Kwantung and Kuangsi Peasants Daily 7.7.1955. Cuts of up to 58% were also reported in Peking, TKP (Tientsin) 17.8.1955.

Table 37. Index of labour productivity in industry  
1952-1957

1952 - 100

<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
100	104.3	111.5	120.8	142.2	140.2

Source: Michael Field in Eckstein, ~~Galen~~son and  
Liu op.cit. page 647.

So far we have confined ourselves to considering the demand for labour. In conclusion we have to note two special factors on the supply side which accentuated the employment problem in this period. The first was the acceleration of migration into the towns in between 1953 and 1955. This occurred in waves which were related to bad harvests, natural disasters, cooperativisation drives and the reorganisation of agricultural taxation. The degree of irreversibility in ~~these~~ migrations seemed to be rising all the time and by Spring 1955, Shanghai's total population reached a peak of 7.000.000, a figure which was not touched again until 1957. The second factor was the general demobilisation of the army which took place in 1955<sup>(60)</sup>.

From this account it can be seen that the context of labour administration in this period was one of increasing unemployment and also of deepening gloom. Let us now try to analyse the reaction of the Bureaux to this and the character of their work in these years.

(60) See, John Gittings, The Role of the Chinese Army (London, 1967) esp. pp. 96-97.

The work of The Labour Bureaux

During 1954 and most of 1955 there was still nothing at the national level which could be described as overall manpower planning. This is confirmed by a revealing self criticism that the Labour Ministry made of its work in 1954. In this, the backwardness of labour work was contrasted with the development of industrial planning and the unreality of manpower planning at this stage was such that it was admitted that "we are still only at the stage of shouting, and even our shouting is feeble"(61).

At the level of the local Bureaux however, there was plenty of activity. The most significant feature of their work in these years was the continuing attempt to intensify hiring control in basic construction and the public sector. While at the same time relaxing control in other sectors in an attempt to relieve unemployment. This mixed strategy was particularly in

(61) LT 1954 No.10.

evidence in 1954, the first year of a new phase in employment policy. This policy was announced after a conference in March 1954 at which the errors of the 1952 Decisions were discussed and publicised<sup>(62)</sup>.

It was admitted that the long term character of the employment problem had not been appreciated and that the hopes of a solution to unemployment through expansion of construction had been ill founded. The Conference also agreed that it had been a mistake to absorb unnecessary personnel into the public sector and that restriction on hiring in the private sector had been wrong. The training programme; the public works brigades; the relief factories and the policy of relating construction assignment and unemployment work were all subject to examination and found to have been unsuccessful or inefficient. A new approach was clearly called for. The first aspect of this was the decision that in future there would be no attempt

(62) Hsing Tzu Hung, "Strive to continue implementation of the New employment policy", HHYP 1954 No.7, pp.141-142.

to link unemployment work with overall control of hiring. Second, it was agreed that the scope of labour assignment should be sharply reduced and that the unemployed should be allowed to use their own initiative to find work. This implied considerable relaxation of hiring rules and amounted to official encouragement of a licit free market in labour<sup>(63)</sup>.

(63) The Shanghai regulations appear in WHP 28.6.1954. See also articles in SCMP 984, 22.9.1954. Although the regulations left some restrictions on hiring by economic enterprises; article 7 stated that "administrative organs, public organisations, schools, hospitals and armed forces (not including subsidiary business enterprises of administrative organs and military supplies production departments) are free to engage employees and workers by themselves".

In practice the new policy lead to the abandonment of the whole apparatus of unemployment administration built up after the 1952 Decisions, and it is significant that unemployment work did not even appear in the list of tasks for Labour work in 1954<sup>(64)</sup>. There can be little doubt that the Bureaux were thoroughly glad to be rid of a problem, which within their own terms of reference was insoluble.

However at the same time as the Bureaux were relaxing control in one direction, other factors required that occupations and sectors still officially within the sphere of work assignment be subject to even tighter control than before. We have already seen that tighter control of hiring was implied by the new drive on waste in the public sector and the demands of efficiency and population control made a renewed effort in basic construction labour force management absolutely essential. The experience of 1953 had been a disaster

(64) In 1955, we have evidence that two cities stopped collection of the unemployment fund. See, Chang Chiang Jih Pao 3.1.1955 and Kung Jen Jih Pao (Peking) 26.5.1955.



for the Bureaux, since they had failed completely to devise a control system appropriate for building up a stable work force which had rising efficiency levels and could be allocated according to the fluctuating demands of enterprises and the priorities of the Government. Instead, there had been widespread use of unskilled, temporary labour which had been an unnecessary burden on costs and facilitated illicit migration. Moreover, the situation was in danger of deterioration, because the vacuum of authority left by the abolition of the traditional job brokers was being filled by spontaneously created groups which threatened to complicate construction labour work still further(65). As a result of all this, in 1954 and 1955 the Bureaux got really tough. Construction teams were organised on a local basis; universal registration was enforced; and workers who refused to accept assignment were subject to

(65) "Some views on improving site labour organisation", LT 1954 No.4.

punishments and criticism, if necessary in courts of law<sup>(66)</sup>. In 1955 the grip of the authorities was tightened even further as a result of a detailed check up of the work force in which the work of the Labour Bureaux was actually merged with that of the Public Security organs<sup>(67)</sup>.

Despite some success in the construction industry, the problems facing the Bureaux were becoming increasingly intractable during the first eight months of 1955. For on the one hand unemployment was increasing, yet on the other, the Bureaux seemed incapable of controlling hiring and the retirement of personnel in the

(66) See, "The system for managing the temporary assignment of temporary construction workers in Tientsin", LT 1954 No.10. "Discussion on the problems of registering temporary construction workers", LT 1954 No.10. Also Mau Chi Hua's report, "Do well the work of allocating construction workers and subordinate (it) to national basic construction", HHPYK 1954, No.7. pp. 138-140.

(67) "Struggle to liquidate every hidden counter revolutionary", LT 1955 No.9.

public sector<sup>(68)</sup>. The dilemma was that the two problems were perversely related. ~~As~~ **Some** control of the labour force in the public sector was considered necessary for fulfillment of output plans and the control of costs. Yet one of the reasons why this control was so hard to achieve was that declining rates of urban employment absorption required toleration of some flexibility in hiring procedures and also made control of illicit labour markets more difficult, and from an employment point of view, undesirable. What this suggests, is that however reasonable in theory, the attempt to divide the urban labour market into free and controlled sectors was unworkable in practice. One explanation for this was the lack of administrative resources devoted to labour work either within the Bureaux or within the labour departments of enterprises. Another explanation was the Bureaux' general lack of prestige and the failure of the 1950

(68) See, "Improve labour organisation to fulfill the 1955 Labour Plan", LT 1955 No.1. "Strengthen labour force management and assignment work", LT 1955 No.7.

directives to define more exactly the character and extent of their powers<sup>(69)</sup>. A crucial point here being the relationship between the Municipal level Labour Bureaux and the centrally controlled enterprises.

Mid-1955 was a turning point in Labour work as in economic policy in general and in the second half of that year we begin to see the emergence of new solutions to all these problems. Within the urban areas, the Bureaux began to press again for overall control of hiring, even (by implication) at the expense

(69) In the Labour Ministry's Journal during this period there are some extremely funny cartoons illustrating disregard for the Bureaux' hiring regulations. A common theme, is a house (representing an enterprise) with a Labour Bureau regulation forbidding additional hiring pinned to a closed, front door; meanwhile dozens of workers and staff are pouring in by side entrances and through the windows.

of increased unemployment<sup>(70)</sup>. For not only had the Bureaux come to recognise the intrinsic unworkableness of a partially free labour market, but at the National level, the Ministry of Labour, armed with the results of the 1955 survey of the labour force in the public sector, was anxious to construct more ambitious and comprehensive labour plans whose implementation required more comprehensive power, particularly over the private sector<sup>(71)</sup>.

(70) It would appear that one means of increased control was to be the enlargement of the functions of the Labour Balancing Committees. See, LT 1955 No.7 op.cit note 68.

(71) See the leading articles in JMJP 17.7.1955 and LT 1955 No.8. The latter emphasized the importance of extending labour planning to include the private sector.

By mid-1955 however, the urban unemployment problem had become intolerable and a downward revision of public sector labour requirements for the second half of the year would, had other things remained equal, have made it worse. But, this was not to be the case, for throughout 1955 we find a new emphasis on the role of agriculture as a potential absorber of unemployed labour and surplus urban population and in the summer of 1955, we have the first round of the hsia fang (sending down) campaign.

This campaign to return to the countryside large numbers of the migrants who had infiltrated the cities was <sup>(CONCEIVED)</sup> ~~concluded~~ on an ambitious scale and prosecuted with vigour. In Shanghai for example, the original plan was to reduce the city's population by 1,000,000 (14%) although the final out-turn was only half that number<sup>(72)</sup>.

(72) See, "An important measure in Shanghai Municipality", JMJP 3.5.1955 and CFJP 3.8.1955. The latter also brings out the crucial role of the private sector in facilitating illicit migration.

Most of those who were "sent down" were to go to the rural areas, although at the same time plans were made to send workers to other cities. Every medium of persuasion and a wide variety of inducements were utilised to make the campaign a success. The newspapers of the period are filled with letters from workers already back in the rural areas, who affirmed the availability of food and work; appealed to the nostalgia of migrant peasants and described with optimism the present and imminent changes in rural life which the cooperativisation was bringing about.

But of course there was something of a paradox in all this. For how were the employment problems of millions of urban residents to be solved by a return to a cooperativised countryside when nearly all the evidence suggested that prior to 1955, rural reform had not been favourable to increases in rural employment, but on the contrary, had tended to diminish it? This consideration makes it seem highly probable to us that there was a close connection between the decision to launch the hsia fang movement and the decision to try and move the

cooperativisation movement onto a new level in late 1955 and early 1956; A level where it would bring about a genuinely comprehensive reorganisation of rural life and thereby make a planned expansion of rural employment more feasible. (73)

(73) In August 1955 there was a report which described the growth of unemployment in the cooperatives and peasant demand for the development of secondary occupations. "The new transformations in the economic life of the peasants", TKP 16.8.1955.



Chapter Six

Employment policy and administration Part II:

1956-1957

Employment aspects of the High Tide of Socialism

1955-1956

There can be no doubt that the agricultural cooperativisation in late 1955 was expected to have a dramatic impact on the urban economy and to retrieve the First Five Year Plan from the possibility of failure; it is however important to appreciate that the original plans for sharp increases in construction and industrial output in 1956 did not involve any immediate change in the employment policies of 1955. This view is confirmed by article 39 of the Twelve Year Plan for Agriculture (published in January 1956) in which it was stated that the growth envisaged by the Plan would enable agriculture to absorb sufficient urban unemployment to enable the urban areas to achieve full employment within five to seven years. There is evidence that in early 1956 many cities were actually active in setting up agricultural cooperatives to absorb their unemployed manpower and surplus

population<sup>(1)</sup>. Further confirmation of the continuity with the policies of 1955, is in a series of revealing articles on the control figures for the 1956 Plan which were published in September 1955. Although these articles do not quote any figures, (since these would still be the subject of discussion and negotiation), they do make it clear that the planners were envisaging very large increases of output which were to be achieved by redistribution of the existing urban labour force and by a general increase in work intensity. Moreover, since 1956 was the first year in which there could be said to have been even an attempt at an overall labour plan, there was some reason to hope that the outcome of labour administration might be more predictable than it had been in earlier years<sup>(2)</sup>.

(1) The Draft Programme for Agricultural Development 1956-1967, Bowie and Fairbank, op.cit. pp. 119-126.

An example of the hsia fang in early 1956 is, "Changchun city sends more than 25.000 people to participate in agricultural production", Kuang Ming Jih Pao, 29.3.1956.

(2) CHCC 1955 No.9. See especially pages 3 and 13. Only relief and public security enterprises were exempted from the obligation to make labour plans.

The continuities with 1955 extended to the rules of administration as well as strategy. The drive towards total control of hiring was continued and by the time that the Labour Bureau Chiefs met to finalise the labour assignment plan in May 1956, it was claimed that all hiring was being administered by the Bureaux. (3)

The urban employment experience of 1956 confounded expectations and although the final plan for employment did allow for a substantial rise, even this proved unrealistic. In the event, the expansion of urban employment was not only sufficient to absorb a high proportion of the unemployed, but also ~~led~~<sup>led</sup> to a reversal of participation trends. The increase in participation took the form of an increase in female labour and the absorption of many young, hitherto unemployed persons. The increase in female participation was widely welcomed and taken as satisfaction of long unfulfilled promises such as those made at the time of the 1952 employment

(3) "The national assignment plan for 1956 settled",  
HWP 17.5.1956.

decisions. (4) The absorption of younger persons into the labour force can be seen from the spectacular increases in apprentices. In Shanghai for example, the number of apprentices absorbed in 1956 was more than twice the number absorbed in the previous five years (5).

(4) See data in Chapter One which indicates the speed of the upsurge in 1956. For female participation see, "Mobilise female strength and develop its activist value", CFJP 12.8.1956. (This article discussed the importance of creches in Shanghai). Also the Labour Report for 1956, CFJP 18.8.1956. Female labour was also much more extensively utilised in rural areas in 1956, see, "Develop the activism and mobilise female strength; protect the health and safety of women and children", a speech by Teng Ying Ch'ao to the National People's Congress. (Teng is the wife of Chou En Lai and has had a remarkable personal career).

(5) "The improvement in the welfare of the city's workers and staff", CFJP 28.9.1956 and Chiang Meng Ch'iang and Kao Liu Wen, "Some remaining problems in the increase of workers and staff in Shanghai industrial enterprises in 1956", TCKT 1957 No.15, pp.29-31.

The work of the Labour Bureaux in this unexpected and somewhat exhilarating environment, was very different from that envisaged only a few months earlier. In the first place control of hiring became impossible. This was partly because for most of the year the Bureau staff were engrossed in wage reform work and partly because as in 1951 and 1953, the volume of work and the pressures to allow free hiring were too great to make detailed control feasible. Thus whereas in May we found the Labour Bureau Chiefs congratulating themselves on eliminating free hiring, in August we find the Head of the Shanghai Bureau criticizing the rigidity and inefficiency of the existing hiring procedures and agreeing to their relaxation<sup>(6)</sup>. This trend towards liberalization continued up to the end of 1956 because labour administration became involved in the wider controversy

(6) CFJP 12.8.1956. A reference to a general Ministry of Labour relaxation in 1956 is in, "The Labour Ministry holds a conference to decide on measures for solution of the problem of labour arrangement", NCNA 23.4.1957 (SCMP 1521). An indication of the freedom of workers to move in 1956 is a report that hundreds of railwaymen

(6) (Cont'd)

just walked out of their jobs in search of more satisfactory employment. See, "Why railway workers in North China quit their posts", JMJP 22.7.1956.

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of economic decentralization. In this controversy, supporters of decentralization argued that the efficiency of individual enterprises required local flexibility in the use of labour as well as capital, and indeed, at one point in late 1956, the implications of decentralization appeared so extreme, that in some areas the Labour Bureaux were reported to be handing over their powers to local planning bodies and closing down<sup>(7)</sup>.

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(7) "Give enterprises appropriate powers of self-government", HHFYK 1956 No.23 pp. 46-47. Chang Wan Chieh, "Concerning the problem of the sphere of duties of the Provincial, Municipality and Country Planning Committees' labour, wage and cadre training offices", CHCC 1956 No.10, pp.24-25.

Another reversal in the work of the Labour Bureaux during 1956 was their new attitude to labour force movement between rural and urban areas. In early 1956, the outflow of population from Shanghai and other cities was continuing<sup>(8)</sup>. Part of this outflow was to the rural areas and part (in the case of Shanghai, Tientsin and other "old" industrial cities) was to the new, rapidly growing cities. In some cases the return to the countryside was motivated by the propaganda and promises surrounding the cooperativisation campaign but many returned simply to protect their interests as best they might. Also, it has to be remembered that prior to 1956, many families split their labour between rural and urban

(8) "Implement overall planning, strengthen leadership policy and do labour assignment and hiring work well", LT 1956 No.3. There is an interesting account of a meeting of unemployment activists who were cooperating in an attempt to encourage voluntary emigration from Shanghai in, CFJP 6.2.1956.

areas, with the men tending to work in the cities and the women remaining behind to do agricultural work or supervise rented property. After cooperativisation this type of arrangement was ~~not~~<sup>NOT</sup> tolerated by the rural cadres, who in their quest for agricultural output were determined to maximise their supply of labour power and therefore, where necessary, resorted to intimidation to ensure that able bodied relatives of cooperative members returned to the countryside. The effect of this return was so serious that in Shanghai, on the eve of the urban leap forward, we find reports that the loss of workers was causing some factories to shut down completely<sup>(9)</sup>.

(9) Cadres in Kiangsu were said to have addressed urban workers in these terms: "Your families not participate in the High Level Cooperatives. You (who remain) in the factories affect agricultural output and must (therefore) immediately return home. If you do not (your families) will be treated as non-agricultural households and their land will be divided again and given to others and (they will receive) no further supply of grain". See, "Do not force workers to return to rural areas", JMJP 19.4.1956.



The outflow to the key point cities was a reflection of the policy of redistributing manpower resources on the lines laid down in the First Plan. In early 1956, the older cities such as Shanghai were not altogether unwilling to cooperate in this, as they were at that time contending with an increase of unemployment which had resulted from the socialization campaigns, particularly in commerce. But by the middle of the year, the problems of labour supply were so acute that we find the Shanghai Bureau bitterly regretting the contracts by which labour transfers had taken place<sup>(10)</sup>. This situation seems to have been widespread in urban China in Summer 1956 as the demands of construction, transport and industry for labour mounted and rural cadres continued to recruit labour in the urban areas.

As a result of all this we find the Labour Ministry having to take measures to ensure that urban labour needs were met, and the Shanghai Bureau trying to renegotiate some of its inter-city and Provincial labour

(10) CFJP 11.8.1956.

contracts<sup>(11)</sup>. This latter was however no easy task, even though the workers involved were themselves very anxious to return to Shanghai. In the case of one big contract with the Province of Shensi, the best that the Shanghai Bureau could manage was an agreement that in the first instance it would attempt to recruit from workers sent back to the Kiangsu countryside in the 1955 hsia fang, and if it could not meet its requirements in this way, it could request the return of workers from Shensi.

Autumn 1956: the return from the countryside

By late 1956 the exceptional factors which had led to net emigration from Shanghai in 1955 and early 1956 had spent their force. The harvest of 1956 was below expectations in the output of main crops and the curtailment of subsidiary activities accentuated

(11) "Strengthen labour force assignment work", LT 1956 No.8. "Agricultural cooperatives must organise manpower to help industrial construction", JMJP 9.6.1956. "Mobilise Shanghai workers to settle down to participating in construction in Shensi", Shensi Jih Pao (Shensi Daily) 9.9.1956.

the impact of this on incomes. This set back was partly due to natural factors but mismanagement of the cooperatives was also important. To the disincentive effect of low incomes we have to add the fact that members of the new cooperatives were worked very hard(12). We do not know of any out-turn figures for this, but the 1956 agricultural plan for the Shanghai suburbs estimated that the number of working days per household would be 259; which may be compared with 210 in 1955 and a figure of 100 which was mentioned for the pre-collectivisation period(13).

(12) "Struggle to enable the great majority of co-operative members to increase their incomes" HWP 23.11.1956. "Rationally solve the unemployment problem" Chekiang Jih Pao 7.5.1957. "Do agricultural production work well in the suburbs (of Shanghai) so that it is appropriate to the needs of the city's industrial production", CFJP 12.8.1956.

(13) "Fully use agricultural manpower", WHP 21.3.1956.

If this sort of increase did occur (and the technical reforms attempted and the water and conservation work claimed to have been done suggest that they did) then it cannot be surprising that there were many migrants like those returning to Canton in Autumn 1956, who were reported as saying, "anything is better than this"(14).

In addition to the return of recently "hsia fanged" urban residents and peasants, there was also a substantial inflow of families of urban workers and staff who had remained in the countryside. These families often owned land and housing in the rural areas, and when the cooperatives were set up they had the choice of persuading their urban relations to return, or of moving themselves into the cities. They could not remain in the countryside since the income allocation principle of the collectives - that income was to be dependant on work - implied a drastic reduction in their standard of living. As 1956 progressed,

(14) Tzy Yu Chen Hsien (The Free Battle Front),  
(Hong Kong) 17.9.1956.

increasing numbers of people in this position opted for total removal to the cities<sup>(15)</sup>.

1957: the making of a new employment strategy

In attempting to reconstruct Chinese economic policy in the 1950's, one has constantly to avoid the temptation of linking together policy statements and administrative measures so that they have an appearance of design and coherence which probably exaggerates the degree to which in reality they comprised an articulate and fully comprehended plan. This is particularly the case in 1957. For this was a formative year during which the principles of economic policy were often uncertain and the subject of acute controversy. But although this was so, we think it possible to trace the development of a new strategy for employment which had its origins in late 1956, and its culmination in early 1958. And even if in the first

(15) A very good account of this process is "(After) increasing output (it will be possible) to raise the people's standard of living", Liaoning Jih Pao 24.12.1956.

instance this strategy was not fully worked out, the logical and practical interdependence of its different aspects justifies our considering it as a whole.

The employment plan for 1957

The loss of hiring control in 1956 had <sup>led</sup> ~~lead~~ to an increase in employment which almost fulfilled the plan for the whole of the First Five Year Plan period. Since the 1957 plans for output were very conservative, the demand for labour from the public sector (which in urban areas was now almost co-terminous with the economy) was bound to be small. In April, the annual Labour Assignment Conference issued a gloomy communique in which it confirmed that the 1956 labour intake was considered to have been in excess of 1957 requirements and which reflected widespread fears of redundancy, particularly in construction<sup>(16)</sup>. In July, Po I Po announced the official plan figures which showed that although average employment of workers and staff in 1957 was expected to be 4.7% higher than the 1956 level, total employment at the end of 1957 would be

(16) HWP 24.4.1957.

marginally lower than the peak reached at the end of 1956(17).

This prospect of stagnant demand for labour in 1957 has to be matched with certain special aspects of the labour supply situation. For in addition to the natural increment to the labour force in 1957 there were three other elements in the supply of labour in that year. First there was the renewed flow of migrants seeking jobs. In Shanghai for example, between June 1956 and September 1957 over 700.000 migrants moved into the city - some 300.000 more than had been shifted out in the hsia fang campaign of 1955(18). Second there was a net outflow of manpower from the Army(19).

(17) Po I Po, "Report on the out-turn of the 1956 national economic plan and the draft plan for 1957", HHPYK 1957 No.14 pp. 28-39.

(18) WHP 7.8.1958.

(19) "This year's number of demobilised soldiers is much greater than the number of new soldiers", HWP 5.4.1957.

And third, there were the problems created by the crisis in education.

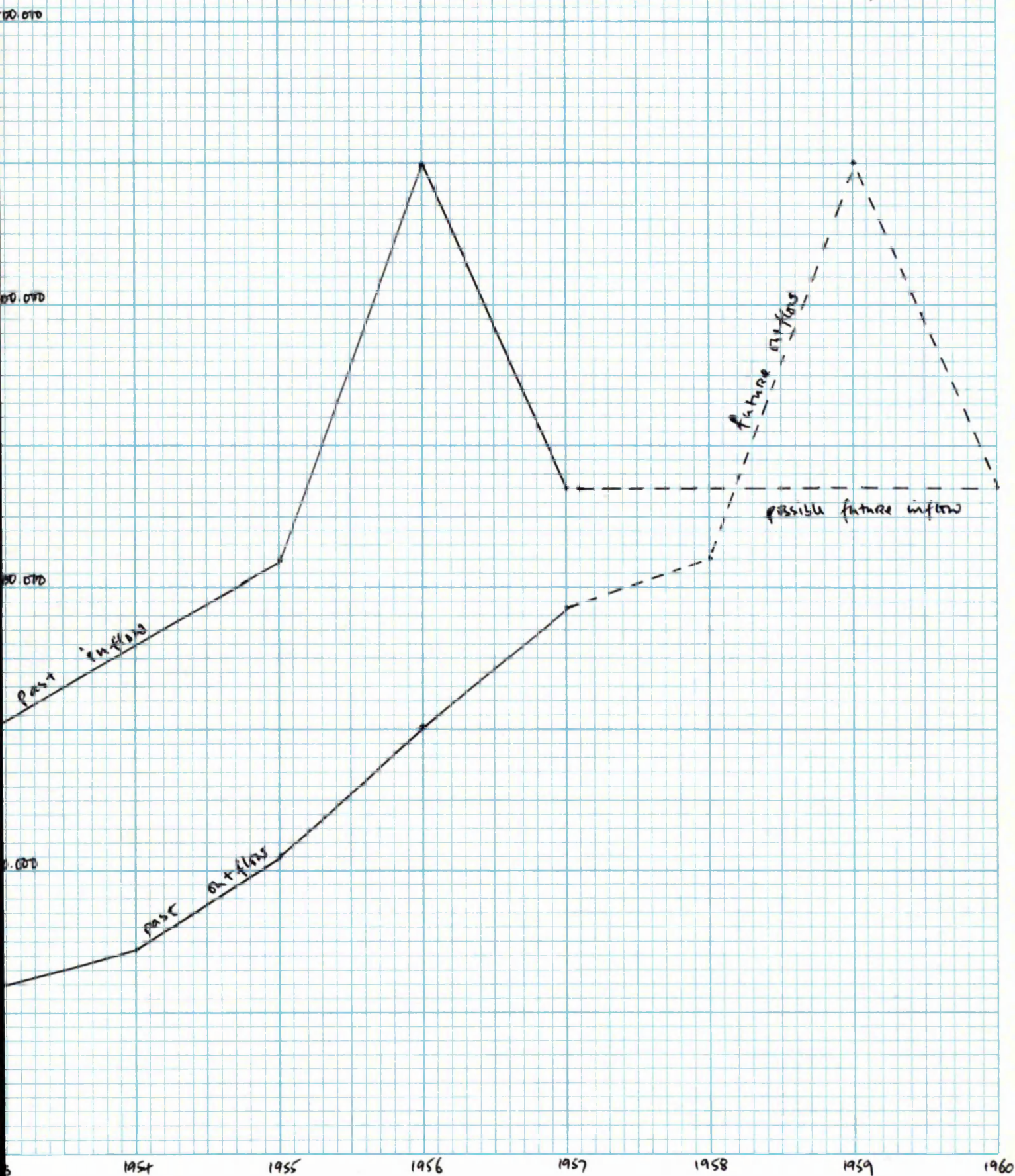
In our estimates for Shanghai, we noted the employment significance of the growth of the educational retention and showed how rapid changes in the growth of the retention could have a very marked effect on the problem of employment absorption. During the first four years of the First Plan the educational system had been growing very rapidly indeed and the significance of this was discussed in Chapter Three. As we commented then, the growth of the educational system had limits set both by the cost of the educational system and by the supply of urban employment appropriate to the type of training offered by the middle schools and universities. The effect of these limits began to be felt in 1957. In that year there was a sharp drop in the rate of growth of the intake into the middle schools and an absolute decline in university entry which reduced it to a level nearly one third lower than that reached in 1956. The effect of this was to sharpen the educational pyramid and by comparison with 1953-1956, to reduce



the net off-take from the labour market. The decline in university entrants meant that for the first time since 1953, the intake into the universities was less than the number of graduates from the Senior Middle Schools. The outcome of the position is illustrated in Diagram 5. This shows the inflow and outflow from the Higher Middle Schools from 1953 to 1957; the size of the net inflow is indicated by the gap between the two ~~li~~ lines. The dotted lines show what could be expected to happen up to 1960 on the assumption that the inflow remained at the 1957 level. It will be seen that in 1959, there was the prospect of a large net outflow and therefore<sup>after</sup>, the net outflow would be nil. 1957 therefore, marked the beginnings of a serious crisis in the educational system which was to have important educational and political repercussions as well as economic ones<sup>(20)</sup>.

(20) The authoritative account of this crisis is a speech by Chang Hsi Jo (Minister of Education), "Concerning the employment problems of junior and middle school students who cannot continue their education and the school starting age", CFJP 17.3.1957. See also, "This year's higher education intake 107.000, CFJP 27.3.1957.

Diagram 5 Inflow and outflow from the Higher Middle School system:  
the situation as seen in 1957 (Source: see note 16, Chapter 2)



The new status given to employment questions in 1957 rested on more than short term considerations. For reflection on the employment experience of the First Five Year and tentative calculations of the employment implications of the second and third plans, brought home to the Government the structural nature of the problem. Sung P'ing, Li Fu Ch'un and numerous others demonstrated that since the maximum proposed increase in employment during the Second Plan was 7 million jobs, this would imply cumulative increases of unemployment in the whole economy of upwards of 5 million a year<sup>(21)</sup>. Calculations of this sort were made at the local as well as the national level. In Shanghai, the proposed rate of growth of industry in the Second Plan was 9.7% per annum (compared with an out-turn of 14.% in the First Plan). But whereas in the First Plan there had been a net labour input of 260.000, which accounted for 51% of the industrial growth in that period; in the Second Plan, the net

(21) See, "Develop research into the population problem", WHP 21.2.1957 and "Birth control and my country's population problem", WHP 16.3.1957. Sung P'ing op.cit. HH 1957 No.18.

planned increase in employment in industry was to be negligible<sup>(22)</sup>. This picture fits in with our analysis of the Shanghai growth process in Chapter Three, where we observed that without additional investment growth rates of output and employment must decline. According to that analysis, the data for Shanghai's Second Five Year Plan could either indicate that the opportunities for absorbing additional employment through increases in plant utilisation had all been exhausted, and that

(22) The original target rate of growth for industry in Shanghai's First Five Year Plan was 11.1% per annum. The Plan was reported as fulfilled in September 1956 and the final out-turn represented a growth rate of 14.1%, See "A marked increase in Shanghai's industrial and agricultural output", WHP 5.1.1957. "Shanghai industry contributes one fifth", HWP 30.9.1957. Targets implying rates of 9.7% and 8.3% were announced in August 1956 for the Second and Third Plans. See, HWP 8.8.1956. The labour plan for the Second and Third Plans are in GFJP 11.8.1956. It should be noted that the Second and Third Plan targets vary slightly in different texts. This is

the planners were therefore allowing the expected rate of growth of productivity to determine the rate of growth of output; or alternatively, it may have been that the desired growth of output - itself determined by the supply of intermediate goods or some other criterion - was sufficiently low for the planners to be able to achieve it entirely by increasing productivity. This latter carries the interesting implication that planners no longer set any value on increasing urban employment for its own sake. Similar estimates were made in other cities and all areas were required to build proposals for solving their unemployment problem into their overall plans for the period up to 1962<sup>(23)</sup>.

(22) (Cont'd)

presumably due to the fact that the planners were perpetually re-calculating on the basis of changing out-turns of current plans. The differences however are not significant.

(23) For example, The Canton labour plan for the Second Plan is in, NFJP 29.11.1956.



The implications of these plans were discussed throughout 1957 and during the year a series of measures constituting a new employment strategy were gradually introduced. It was realised that there was not a great deal which could be done on the demand side in the urban areas, although as we saw earlier, the 1957 Plan did acknowledge the value of increasing labour intensity and adjusted the emphasis of the investment plan for that year accordingly. The main features of the new strategy were on the supply side and the first which we will consider is the action taken to try and reduce the participation rate.

#### Participation rates

We have seen how control of participation rates had already been used in the early 1950's to minimise the unemployment consequences of urban fluctuations and the strategy of the First Plan. But in 1956, the trend to limit participation was reversed, and equally important, high expectations of future possibilities of participation were aroused. In 1957 the Government were faced with the task of having to reverse this; having already almost completely exhausted the possibilities of

reducing participation by eliminating child labour and reducing hours.

The most immediate objective was renewed limitation of female participation. The difficulty here was that no legal limitation <sup>was</sup> possible and recourse therefore had to be made to propaganda campaigns which emphasized that domestic work was as real a contribution to economic construction as work in a factory. From the speed with which this campaign was reversed in 1958, it would seem that it had met with little enthusiasm, even if there had been some acquiescence<sup>(24)</sup>.

Another form of participation limitation introduced in 1957 was the lengthening of the apprenticeship period. Together with other changes in apprentice arrangements, this change, while not limiting participation in work,

(24) "The problem of female employment can only be solved gradually" CFJP 13.12.1956. See also, Important Documents from the National Conference Of Representatives Of Family Dependants Of Workers And Staff, (in Chinese), published by the female department of the All China Federation of Trade Unions (Peking, 1957).

did have the effect of slowing down the automatic element in the growth of the permanent work force which had previously been governed by the very short apprenticeship times served prior to 1957<sup>(25)</sup>.

The most important aspect of participation control in this period was the reform of the retirement regulations. It will be recalled that there had been a crisis in 1955 which arose because workers had no incentive to retire in accordance with the insurance regulations, compliance with which was only mandatory in a small proportion of enterprises. In that year new regulations were introduced to govern retirement from state administrative and similar organs. However, ~~it was~~ up to the end of 1956, only 62,000 persons had retired from enterprises and only 1,000 from state administrative organs. An effort was made therefore to correct the defects in the old regulations in a new

(25) State Council Communication on lengthening the apprenticeship time limit, HHPYK 1957, No.11, page 121. An important People's Daily editorial on the subject is reported in HHPYK 1957, No.12 pp. 123-124.



set which were published in November 1957<sup>(26)</sup>.

The population plans for the Second Plan period

Although population control was, at the national level, only a long term solution to employment problems, it undoubtedly received more publicity and discussion than any other aspect of the labour supply question.

There were two parts to the population control policy. The first was the control of the natural growth rate of the total population; the second was the control of the size and population growth rates of the cities.

The control of the natural growth rate was linked throughout the 1950's with the question of employment. We saw how in 1953, population control was rejected on the grounds that the First Plan would generate sufficient

(26) State Council Draft Regulations on the management of retirement of workers and staff, HHPYK 1957, No.24 pp. 89-91. This regulation cancelled the 1951, 1953 and 1955 retirement regulations. In 1956 it was admitted that in the coal industry alone, nearly 7% of the workforce was due for retirement. Sung Shao Wen, "Labour balancing and assignment work in the Great Leap Forward", CHCC 1958 No.4 page 4.

employment to utilise a large and rapidly growing population. In 1954, the idea of control came back into favour and it is possible, although not certain, that this may have been a reflection of current employment difficulties as well as a new recognition of the dimensions of the food supply problem<sup>(27)</sup>. In 1956 there was some debate on the question but predictably enough, we find that on the whole the optimism engendered by the rapid growth of employment was reflected in rejection of population control programmes which, it was argued, had been rendered obsolete by the arrival of socialism<sup>(28)</sup>.

(27) "A criticism of reactionary, modern Chinese population theories", Hsin Chien She, 1955 No.12.

(28) See, "Unemployment disappearing in China", TKP (Hong Kong), 16.10.1956. Also, "Chu Te's speech", CFJP 19.9.1956. But opinion was not unanimous in 1956, see "For the active dissemination of contraceptive knowledge", Kuang Ming Jih Pao 3.8.1956 (SCMP 1352).

In 1957 the advocates of population control came into their own again. In the early part of the year the press devoted considerable space to the problem and special population conferences were held by the Health, Labour and other interested <sup>ministries</sup> ~~ministries~~ (29). The debate was closely related to current employment issues, and was climaxed and concluded at the Supreme State Conference in February when Mao made his speech "On the Correct Handling of Contradictions among the People". We do not have the original text of this speech but it was followed six days later by a People's Daily editorial advocating birth control and an article in the Shanghai press on March 14th, states unequivocally that this policy had been advocated by Chairman Mao in his speech (30).

(29) At least one theorist argued that employment should be the first criterion in considering the optimum size of population. See, "A discussion of optimum population size", WHP 27.4.1957. At the Labour Ministry conference speakers included Chen Ta and Fei Hsiao Tung, "Research on the problems of China's population", Chekiang Jih Pao 16.3.1957.

(30) "Exercise appropriate birth control", JMJP 5.3.1957 (SCMP 1487), and WHP 14.3.1957.

In the urban areas in 1957, the policy of population control was specifically related to the need to control the demand for land, grain and urban facilities as well as to the employment question; and its implementation involved renewal of forced emigration as well as action on the vital rates. Once again, individual cities made their own population plans within the framework of their Seven and Five Year Plans. In Shanghai the first population plan was talked about in January 1957, but the final plan was not announced until January 1958 when it reflected the urgency of the problems which the renewed inflow of 1957 had created. Basically, the plan envisaged that the city's population should be stabilised at 7,000,000 and this was to be achieved by migration and reduction of the natural growth rate from 3.3% to 1.3%. The reduction in the natural rate was to be achieved by contraception and late marriages. On the employment side, it was estimated that there would be 500,000 new entrants to the labour force, but that since there was to virtually no net increase in industrial employment, only 100,000 of these could be employed within the city as replacements for expected retirements.

It can be seen that these proposals had important implications for emigration if the population was to be held constant and full employment of the labour force to be maintained since fulfillment of these objectives would require that in the course of the Plan period up to 1 million persons would have to be transferred out of the city, of whom 40% would be of working age. Thereafter, holding the population constant would require an annual emigration of slightly less than 100.000 a year<sup>(31)</sup>.

In conclusion we may note that although continued overall growth of population meant that absolute stability of population was an objective which could only be achieved in selected areas; the idea of a long term programme to stabilise China's total population also seems to have had some currency at this time. Li Fu Ch'un for example, envisaged a fifteen year tapering off period after which the population would remain

(31) Based on data and statements in, "Mobilise surplus urban labour power; help socialist agricultural construction", WHP 7.1.1958. "Reduce the natural population growth rate of Shanghai to 2%", WHP 23.1.1958. NCNA 9.9.1957 (SCMP 1608).

constant at 700.000.000(32).

### The Hsia Fang Movement

The employment and population plans of 1957 implied a renewal of the effort to reverse the rural-urban migration. This is generally known as the hsia fang movement and the significance of it in 1957, was that it reflected final recognition not only of the fact that the process<sup>of</sup> rural-urban population transfers would have to be postponed for a generation, but also of the fact that much of the transfer that had taken place would have to be reversed. This was a break with the socialist pattern of development as exemplified in the Soviet Union and Eastern Europe and was recognised as such. As Wang Kuang Wei wrote in his classic article of August 1957, "in this respect we differ from fraternal socialist countries"(33).

(32) WHP 14.3.1957.

(33) Wang Kuang Wei, "Views concerning the arrangement of the agricultural labour force", CHCC 1957 No.8, pp.6-9.

Although the movement as a whole can be fitted into the general revision of employment strategy which took place in 1957, it is worth noting that the hsia fang was in its origins a series of separate movements, which in the course of the year gradually coalesced into a single, massive, population outflow. In the first place, it was one of the long series of drives to return migrant peasants to the countryside, starting as usual, in time for the spring planting<sup>(34)</sup>. The second element in the movement was the drive to eliminate bureaucracy and over-manning. In Shanghai this started in late 1956 and continued on a national scale right up to the end of 1957. In its early stages, it is interesting to note that being "sent down" did not necessarily mean being sent to the countryside. It often implied being transferred from administrative or office work to participate in practical or physical work in schools, on the shop floors etc. An important aspect of this was the attempt

(34) "Shanghai mobilises peasants to return to the countryside, WHP 14.3.1957.

to persuade cadres to work in small scale enterprises where the potential for increased labour intensive production was considerable, but unutilised for lack of competent management<sup>(35)</sup>. As time passed however, the cadre hsia fang movement became increasingly a movement to transfer cadres to the rural areas where the collectivisation movement was in danger of collapse, partly because of lack of administrative resources, and where a complete reorganisation of local government was taking place.

Another component of the hsia fang was the campaign to solve the problem of student unemployment. In the

(35) See, "Simplification of the structure must be combined with reform of the system", HHPYK 1957 No.6, pp. 14-15. "Four hundred Shanghai administrative cadres transfer to work at the basic level", Tsinghai Jih Pao 21.1.1957 and "Go to the small factory", CFJP 12.4.1957. A very interesting example of the sort of analysis which was undertaken in the "simplification" campaigns is, "See the necessity for simplification in the grain ministry from statistical data", TCKT 1957 No.8 29.4.1957, pp. 9-12.



context of 1957 there was no satisfactory urban solution to this problem. The students therefore had to join the exodus to the rural areas where it was hoped that some of their skills would be of value. In order to facilitate this transfer the revised version of the 12 year agricultural plan made specific provision for the absorption of unemployed students and by November the People's Daily reported that 2 million Middle and Junior School graduates had left the cities for rural work<sup>(36)</sup>.

The last part of the Hsia Fang which we shall consider, was the return to the countryside of the families of workers and staff who had migrated into the towns in search of higher living standards than those offered in the rural areas. A survey published in July

(36) See the sections in education in HHFYK 1957 Nos.7,9 and 16. The revised Agricultural Plan is in HHFYK 1957 No.22 and the relevant section is on page 128. Also, "Must establish home and work in the countryside", People's Daily editorial, HHFYK 1957 No.23, pp.165-167.

1957 showed that in fifteen major cities, 60% of the population were classified as non-productive and that the rate of growth of this section of the urban population was higher than that of the "productives"(37). It was this group that put unexpected and severe pressure on urban food and housing supply and unless it could be controlled, the Government would be forced to make substantial reallocation of resources from productive to infra-structural investment which would have undermined the investment strategy of the Second Plan. In order to facilitate the return of families and make enforced separation more humane, the Government introduced new measures which were to enable workers to visit their families on a regular basis(38).

(37) "The non-productive population of the cities is too large and growing too fast", NCNA 25.7.1957.

(38) "Workers and staff must persuade their families to return to the countryside", HWP 10.4.1957. The regulations on holiday visiting are in HHPYK 1957 No.24 page 95.

These then were the tributaries which emerged in late 1957 and early 1958 into a large scale population flow from the towns. Looked at overall it was a remarkable achievement. Over 1 million people were moved (apart from the students) compared with 800.000 in the hsia fang of 1955. For the most part they were moved without force although it should not be forgotten that the movement coincided closely with a rectification campaign of considerable vigour, although even this could not be said to have equalled the ferocity of the Hu Feng campaign in 1955(39). There was however one aspect of the 1957 hsia fang which differentiated it from its predecessors; this was the explicit recognition, that underlying the campaign was the power and right of the authorities responsible for employment and population, to assign individuals to their places

(39) The directive on rectification was reported in Shanghai on May 1st; this was followed on May 15th by the directive on cadre participation in physical labour which was a key element in the hsia fang campaign. HWP 1.5.1957, HWP 15.5.1957.

of residence and work. In our next section we shall consider the way in which this principle affected the work of the Labour Bureaux.

The Labour Bureaux reform their work: the enlargement of the sphere of assignment.

The attention given to labour issues and population control in 1957 gave new stature to the Labour Bureaux and a new lease of life to their activities. We noted that in late 1956 there were some signs of disintegration in labour administration at the local level; and indeed, the abandonment of hiring control and the decentralization movement both seemed to provide some rationale for this. But by early 1957 it was apparent that the new employment policies, both tactical and strategic, required that the duties of the Bureaux be multiplied rather than diminished.

We have already seen that in 1952, a case for overall hiring control was made in relation to unemployment administration and how, in late 1955, the Bureaux began again to grope towards the idea of total control this time as a result of appreciating the difficulties inherent in trying to combine free and controlled labour

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-355-

markets. In the course of 1957, it became clear that enlargement of hiring control was inescapable if the employment plan for the year was to be properly fulfilled and if the various aspects of the hsia fang programme were to be successfully administered. Moreover, whereas in 1952 and 1955 the impetus towards control was mainly a by-product of the Bureaux administrative problems (which were not fully appreciated in high places) in 1957, it was given a new and potent theoretical basis by Chairman Mao in his speech on "Contradictions". The relevant passage is as follows:

"In drawing up plans, handling affairs or thinking over problems, we must proceed from the fact that China has a population of six hundred million people. This must never be forgotten.

Now why should we make a point of this? Could it be that there are people who still do not know that we have a population of six hundred million? Of course everyone knows this, but in actual practice some are apt to forget it and act as if they thought that the fewer people and the smaller their world the better... I hope these people will take a wider view and really recognize the fact that we have a population of six

hundred million, that this is an objective fact, and that this is our asset... Our guiding principle (in resolving the contradictions inherent in a large population) is overall planning and all round consideration, and proper arrangements. No matter whether it is a question of food, natural calamities, employment, education, the intellectuals, the United Front of all Patriotic Forces, the National Minorities, or any other question we must always proceed from the standpoint of overall planning and all round consideration for the whole people".

The impact of this speech on the Labour Bureaux' work was immediate and throughout the year its key phrases were used to justify compulsory assignment of school and university graduates, temporary construction workers, excess manpower in industrial and administrative units, and the non-productive dependents of workers and staff<sup>(40)</sup>. Control of these groups was not easily

(40) For example in November the People's Daily published a very important editorial on labour matters entitled, "Proceed from 600 million", HHPYK 1958 No.1. pp. 41-43.

obtained; students were particularly vociferous but other groups also tried to resist undesirable assignment with appeals to their freedoms written into the Constitution and adherence to what became known as "The Five Won't Do's"(41).

The control of university graduates was not primarily a Labour Bureau responsibility, but it is interesting to see the way in which the handling of assignment in this sphere ran parallel to the new trends in ordinary Labour Bureau work. Assignment of graduates had started in 1950 and in theory had continued down to 1957; but in practice control of graduates was not easy(42). This was particularly the case in 1956, a

(41) The five were: (1) "Leave Peking - will not do" (2) "Not able to go home every day - will not do" (3) "Repetitious work - will not do" (4) "Dirty work - will not do" and (5) "pay low - will not do". See, "Thought problems in employment work must be overcome", TKP (Peking) 25.9.1957.

(42) For 1950 assignment see, JMJP 23.7.1950. A vivid personal account of graduate assignment in this early period is, Maria Yen, The Umbrella Garden (New York, 1954).



year in which demand for graduates was reported as being three times as great as supply<sup>(43)</sup>. Graduate assignment was an important issue in the Hundred Flowers, when rightists were reported to be demanding a "free market for ability"<sup>(44)</sup>. In 1957 therefore, it was necessary to make further efforts to obtain voluntary submission to official assignment plans, and one of the most important measures taken, was to back the official plan with the sanction that graduates would not be offered a second assignment if they refused their first and that any enterprises or state organ which accepted

(43) See some revealing stories, in The Place Where the Fatherland Needs Me (In Chinese) (1956). There is a striking picture in the Peking Museum of Post Revolution Art which shows a group of young people working in the mountains. The picture has the same title as the book mentioned above and is dated 1956. For data on the demand and supply of graduates in 1956 and a fascinating survey of assignment experience in earlier years see, "Contradiction between the supply and demand for university graduates", CFJP 2.6.1957.

(44) "University graduates determine to submit to (planned) distribution", HWP 27.7.1957.

officially assigned graduates was forbidden absolutely to hire any of the "free" graduates who would be looking for employment(45).

Control of rural-urban manpower movements continued to be an important aspect of the Bureaux' hiring control work in 1957. We saw how in 1956 the establishment of cooperatives had complications for the labour supply of urban construction enterprises. In 1957, it was necessary to put temporary recruitment of rural labour onto a more reliable basis, not only to guarantee the adequacy of supply, but also to ensure that the construction industry did not again become the means of illicit population transfer. For although new Hu K'ou regulations were introduced in late 1957, the experience of the 1950's showed that unless such regulations were accompanied by effective labour market controls, their effort on migration was not likely to be very great. The upshot of this was the introduction of a new system

(45) "Some decisions of principle concerning the work of distributing university graduates in summer 1957", HHFYK 1957 No.16 pp. 203-204.

whereby temporary labour transfers were governed by collective contracts between the agricultural co-operatives and the hiring units. The terms of such contracts being subject to Labour Bureau approval (46).

The administration of unemployment

Although the gravity of the urban unemployment crisis was leading to a radical new emphasis on the absorptive capacity of agriculture, even this could not offer an immediate and completely satisfactory solution to the problem, and throughout 1957, unemployment of different kinds lingered on in the cities. In many areas the machinery for administering relief had been completely dismantled by the end of 1956 and although it was not formally rehabilitated in 1957, something had to be done. One reason for this was that unemployment became an issue in the Hundred Flowers and Rectification campaigns and the authorities were anxious

(46) "State Council Temporary Regulations Concerning the Hiring By Units of Temporary Workers from the Countryside, JMJP 14.12.1957. See also, directives in, HHPYK 1958 No.2 pp. 119-121.

to demonstrate the truth of their frequently repeated assertion that unemployment was a phenomenon only associated with capitalist economies. (47) The difficulty was that budgetary retrenchment and the abandonment of the unemployment levy left only minimal funds for unemployment relief. In these circumstances the Bureaux had to fall back on the policy of encouraging the development of small producing and service units to which the authorities only contribution might be a small quantity of working capital. There is evidence that the Bureaux found the organization of such units very difficult, for the work required considerable administrative skills of which the Bureaux were usually in short supply; and that the cadres preferred relief work to take the form of simple cash or grain hand-outs. However, after pressure had been brought to bear in the Rectification campaign there is evidence that relief

(47) See "The cry of one who is unemployed", Kung Jen Jih Pao 16.5.1957, and "The Labour Bureau conscientiously deals with the views of representatives of the People's Congress", CFJP 3.8.1957.

production units were started up on a wide scale<sup>(48)</sup>.

The viability of relief units required that they be granted a certain degree of freedom both in factor and product markets and it is this that links the unemployment problem of 1957 with the Government's decision to re-open the free market in the urban areas for specified categories of goods and also with the partial relaxation of the new hiring controls<sup>(49)</sup>.

The relationship between the free market and unemployment was explicitly recognised, for as one Municipal level spokesman put it, "the opening of the

(48) "The Labour Bureau reforms its work", HWP 3.8.1957 and CFJP 3.8.1957. Chungking and Wuhan also reported considerable activity in setting up relief production units, see "Can urban unemployment be solved", Chung Kuo Ch'ing Nien Pao 16.7.1957 and "Organise relief production units", Chang Chiang Jih Pao 9.10.1957.

(49) See for example the Shenyang Labour Bureau Report for 1957, Shenyang Jih Pao 2.8.1957. "Many methods of solving the unemployment problem", Chekiang Jih Pao 14.5.1957, and "How many apprentices can handicraft and service trades hire?", LT 1957 No.16.

free market (leads to) many new opportunities for self-found employment".

It is only in the light of this aspect of unemployment work that we can appreciate the full irony of the dilemma facing the Government in its handling of the autonomous enterprises. We saw in Chapter One the way in which the Government was divided between desire to eliminate the autonomous enterprises in order to maintain control over resources use and prices, and the need to tolerate them for employment reasons. But from every practical point of view there was no possible distinction to be made between autonomous enterprises and relief units. Both were capable of rapid growth from small beginnings and both could frustrate plans in the public sector; the only difference between them was that one was regarded as illicit capitalism and the other was a licit creation of the Labour Bureaux<sup>(50)</sup>. It would therefore have

(50) Average employment in relief units up to the end of 1955 was thirteen persons, See, NCNA 4.2.1955. However, the classic example of a relief unit that made good - The Shanghai Iron Bed Vehicle Accessory Co-operative - grew from 3 to 199 persons in four years.

(50) (Cont'd)

See "Business has endlessly enlarged in the three years from the establishment of the cooperative", HWP 11.4.1954.

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been absurd to eliminate the one and tolerate the other.

In our view this was the achilles heel of the new employment strategy as it emerged in 1957. For this strategy required full control of the urban labour market, and although the Bureaux succeeded in enlarging the sphere of their control over hiring, as long as small scale enterprises were allowed to flourish and hire freely, control could never be absolute. The existence of a free sector of the labour market was bound to undermine the ultimate sanction against those who resisted assignment - the threat that they would remain unemployed indefinitely - and bound also to make control of rural-urban migration difficult. By the end of 1957 this point was appreciated and in mid-1958 it was reported that in Shanghai the autonomous enterprises had been eliminated<sup>(51)</sup>. The last spark of

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(51) "Caution needed in absorbing autonomous enterprises", HWP 20.4.1958.

capitalism had been extinguished in the flood of the Great Leap forward and the Labour Bureaux were, at least for a moment, in full control.

### The Labour Bureaux and decentralization

Although significant, the problem of the relief units was only an aspect of the Bureaux' work. Their main effort in 1957 was to enlarge the range of their control rather than experiment in freedom. We drew from the experience of the early 1950's the general conclusion that detailed control of hiring was intrinsically difficult in an economy subject to fluctuations. The question that we must finally ask, is whether this experience was lost on the Chinese? Was the effort to enlarge hiring control simply to be another futile gesture as it had turned out to be before? We think that the answer to this is negative. For during 1957, the general movement for economic decentralization resulted in the local Labour Bureaux at last acquiring some clarification of their duties and an increase in powers, the lack of which had made their work so ineffective in earlier years.



We saw how in 1955, the issue of the relationship between the local Bureaux and the centrally controlled enterprises had been raised and this remained unresolved in the upheavals of the following eighteen months. By the end of 1957, many centrally controlled enterprises had been handed over to the local planning authorities and therefore fell automatically within the local labour plan; at the same time the authority of the Bureaux in relation to the remaining centrally controlled units seems to have been considerably strengthened as it had to be, if intra-city reassignment was to be an effective means of increasing productivity and meeting additional demand for labour. To some extent the local Bureaux had power thrust upon them as a by-product of the revolution which gave the local Party organisations a new role in economic administration, but it may also be argued that this larger reform was itself partly a reflection of a new awareness of labour problems and the realisation that multiple and largely independent systems of labour administration were incompatible with effective control of the total labour market<sup>(52)</sup>.

(52) Materials in, "The key to fulfillment of the 1957 Labour Plan", LT 1957 No.3 and LT 1957 Nos. 11 and 12 passim.

### Employment and the Great Leap Forward

The period we have been discussing lead directly into the Great Leap Forward of 1958, and it is to be hoped that what we have said throws some light on that tremendous upsurge. We cannot enter into this in detail but the most important point to be made is that the renewal of the hsia fang movement (and in particular its acceleration in early 1958) threw a tremendous burden on the capacity of agriculture to absorb and retain urban labour.

From the urban point of view, the transfer of surplus population to the rural areas promised to simplify labour administration. But for the rural areas the prospect must have been appalling. First, because the countryside was still struggling to adjust to the institutional changes brought by collectivisation, and second because the prospects for absorbing urban unemployment in the reclamation of new land were then being subject to radical revision. This latter point is of considerable importance. In the early 1950's there had been optimism about the prospects for reclamation based both on the existence of considerable areas of potentially reclaimable land and on the success of land

reclamation in the war-time period. Unfortunately the economic analogies with the war-time period were largely illusory and by 1957 it was being argued that returns to investment were higher if resources were used to increase output per on existing arable land rather than extend the arable area. Moreover, of the three types of reclamation: the establishment of state farms; marginal reclamation by existing cooperatives; and reclamation of new areas by settlers; the latter was now found to be the most expensive. This reinforced the experience of 1956 (the peak year for settling urban migrants for reclamation) which had shown that this sort of reclamation involved formidable human and administrative problems. It was therefore decided that in the second Plan, this type reclamation would play only a small role in the overall reclamation plan; - itself quite modest in relation to the expectations of the early 1950's<sup>(53)</sup>.

(53) See, "Help settlers in production and the establishment of homes", Kuang Ming Jih Pao 10.10.1956, "Main tasks in settling migrants in 1957", Kuang Ming Jih Pao 6.2.1957. "Some views on settling personnel without work (In Kiangsu)", LT 1957 No.16, and Hsiao Yu, "Reclaim waste land; enlarge the arable area", CHCC 1958 No.2, pp.21-24.

The alternative to absorption of urban labour through reclamation was absorption into existing co-operatives. The technical possibilities for absorption in existing communities were considerable. For not only was there a margin of land available for reclamation within these areas, but the labour requirements implied in the extension of double cropping and other technical improvements envisaged in the Twelve Year Agricultural Plan were very high. However the evidence of 1957 had shown that cooperatives were inclined to resist an inflow of unskilled in agricultural work and that the problems of organising subsidiary activities in units the size of cooperative were very great(54).

The conclusion is therefore, that successful implementation of the new employment strategy required a further transformation of rural organisation which would enable the rural areas to absorb both the urban outflow planned for 1958 and a continuing outflow thereafter. Thus whether the initiative for commune organisation came from above or below does not matter, for we have

(54) See for example, "Hu Han Hsien discusses the problem of the arrangement of unemployed personnel", NFJP 14.5.1957.

already seen that many of the ingredients of the Great Leap were embodied in the employment strategy for 1957, and once the change began, it was bound to find support among those who had grasped the magnitude of the employment problem in 1957 and the futility of trying to solve it within the existing institutional framework.

### Conclusions

The first conclusion to be drawn from this study is that in the period 1949-1957 structural unemployment was growing in urban China. As a general proposition this is not new, but our analysis of the data for Shanghai has enabled us to quantify unemployment and the demand and supply for labour in that city with a degree of detail and precision which has not previously been attempted. The data for Shanghai have also enabled us to attempt for the first time estimates of the net change in total urban employment, the structure of urban employment for one year and changes in the employment structure over the period 1931-1957. Taken together with other local and national data, the Shanghai materials have also enabled us to illustrate the way in which geographical disaggregation can add significantly to our understanding of China's economic experience and problems.

In Chapter Three we attempted to analyse the determinants of urban unemployment and we suggested that on the demand side, total absorption had been limited by the preference for capital intensive investment in the First Five Year Plan; the achievement of a high rate of growth

of productivity; and official policies which adversely affected the labour intensive, traditional sector. However, this overall picture was qualified to take account of the distinction between "key-point" cities, where capital accumulation was rapid, and cities such as Shanghai where the capital stock only increased slightly. In cities where accumulation was taking place, productivity growth was probably not an important factor limiting employment growth. In cities such as Shanghai however, employment was limited both by lack of new capital and by the growth of productivity.

On the labour supply side, the national data are so crude and unreliable as to be of little use. Our data for Shanghai however, enabled us to quantify the components of labour supply in some detail and in particular to make an estimate of the contribution of net immigration to total unemployment.

In Chapters Five and Six we showed that the growth of unemployment was unexpected and led to changes in both employment policies and the workings of the Labour Bureaux. The Chinese employment expectations were based mainly on misleading analogies with Russian experience

and they had to be progressively adjusted to fit the facts as they unfolded. By the end of our period these adjustments had brought the Chinese to the point where they acknowledged that the growth of the urban economy would not be sufficient to justify population and employment transfers from the rural areas and the implications of this were that the absorptive capacity of agriculture would have to be increased, and that in the cities, strict control would have to be maintained over all hiring.

The control of hiring was in fact the fundamental problem of labour market organisation in this period. The necessity for control arose both from the fact that migration was intensifying unemployment and from the fact that the urban economy was unable to absorb even the natural increment to the labour force. Let us consider the migration issue first. Had migration been well informed and motivated by long term, economic considerations, net immigration and its impact on unemployment would have been smaller; for potential migrants would have been dissuaded from moving by the lack of urban employment opportunities in the modern sector (where some control was exercised over hiring) and by low



incomes in the traditional sector (where entry was comparatively easy). The problem was that migrants were influenced by non-economic considerations such as the apparent glamour of urban life, fear of rural upheavals etc. and also that where economic motivation was important, it was often misinformed in the sense that the employment prospects apparent in the periodic upswings of the urban economy frequently turned out to be an inadequate basis for permanent migration. These two factors resulted in an excessive growth of urban population and work force which, through their effects on urban costs, threatened to undermine the investment strategy of the First and Second Five Year Plans. Part of the solution to this problem was to put controls on migration and hiring, but the evidence of the 1950's suggests that three conditions are necessary to make such control effective: first, there has either to be effective supervision or complete abolition of private industrial and commercial activities; second, fluctuations in the economy have to be minimal; and third, adequate administrative power and resources have to be allocated to the Labour Bureau. None of these conditions were fulfilled in the period up to 1957, although in

subsequent years there is evidence of attempts to make control of the urban economy more effective, and of a new flexibility in international trade policy which must have enabled the planners to lessen the impact of agricultural fluctuations on the urban sector.

Apart from migration, the inability of the urban economy to absorb even the natural increment to the labour force had, by 1957, also lead to the necessity of overall hiring control. For this inability implied the need for continuous emigration from the cities, and the evidence of the 1950's had shown that this was unlikely to be feasible unless the urban authorities possessed the sanction of ensuring that new entrants to the labour force who refused official assignment were forbidden employment of any kind. Even this sanction however was a necessary rather than sufficient condition for ensuring compliance, and in practice, in the 1960's, ~~it~~ has had to be supplemented by other means of social control.

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